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China Report

ECONOMIC AFFAIRS



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8 JULY 1986

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NATIONAL POLICY AND ISSUES

JOURNAL REVIEWS PRICE ADMINISTRATION SYSTEM TRANSITION ISSUE

HK031531 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 86 pp 48-53

[Article written in October 1985 and revised in January 1986 by Zhang Weida [1728 4850 6671] of the Economic Management Institute of Jilin University: "Reflecting on the Chinese Model of Price System"]

[Text] Price reform consists of the reform in two spheres--price structure [ti-xi 7555 4762] and price system [ti-zhi 7555 0455]. Under our country's socialist conditions, selecting a model of price system that facilitates the rationalization of our price structure and correctly bringing into play the functions of price is one of the goals that our country's price reform should study and attain.

I. In Selecting the Price System Model, We Must Soberly Understand the Dual Functions of Price

The most serious shortcoming of our country's previous price system was that it prevented prices playing their functions. Our discussion and study of the price system model now is precisely aimed at giving better play to the functions of price. Knowledge about the functions of price and the characteristics of these functions is an important theoretical precondition for the selection of the price system. There are different views on the functions of price. Some people say that price had a function to express price and a regulatory function; others say that the functions of price were to regulate production, guide consumption, balance supply and demand, facilitate accounting work, and so on. I think that we should make a distinction in our understanding between what is price, what are the functions of price, and what role price plays, though these three questions are closely related. Usually, we say "price is value in terms of money." This refers to the question of what is price. However, "the (social) transformation of value into (specific) prices has undergone an extremely complicated path rather than a simple and direct path." (Footnote 1) (Lenin: "Karl Marx," "Selected Works of Lenin," vol 2, p 595) Prices passively reflect value around value as the axis. In fact, price level shows how much the value of commodities is realized. The degree of the realization of the value of commodities is directly linked with the immediate interests of the people participating in the commodity economy (including sellers, buyers, producers and consumers). Every fluctuation of price around the axis of value will give rise to transference of economic interests.

Therefore, the basic function of price is to regulate the economic interests of the people who participate in the commodity economy. It is precisely in the process of fluctuation that prices implement the objective requirements of the law of value and regulate the economic interests of the people participating in the commodity economy. Only by so doing can prices play their role as an effective economic lever in the production, exchange, distribution and consumption processes of a society.

The function of prices in regulating economic interests directly affects the immediate interests of the participants in the commodity economy. Therefore, naturally the regulatory function of prices is of dual nature: On the one hand, through immediate interests, it urges enterprises to conscientiously reduce their consumption of labor and be concerned about the changes in market demand and can thus imbue commodity production and operation with vitality; on the other hand, precisely because it starts from the interests of the enterprise itself in invigorating the commodity production and operation of the enterprise, it unavoidably gives rise to some blindness. The "Resolution of the CPC Central Committee on Reform of the Economic Structure" is very clear about this. While saying, "only by fully developing the commodity economy can we really enliven our economy," it points out: "the widespread development of the commodity economy may also give rise to some blindness." Therefore, it is very natural that as a mechanism for the operation of a commodity economy, price plays a dual regulatory role. Neither a capitalist nor a socialist commodity economy is an exception. The difference is: under capitalist conditions, it is impossible to overcome the blindness caused by the regulatory role of prices; while under socialist conditions, it is possible to conduct planned macroeconomic guidance and regulation and exercise administrative control over the blindness caused by the regulatory role of prices. This is precisely what is superior in a socialist economic system.

In order to have a sober understanding of the dual role in the functions of price, we should be careful that we do not negate this regulatory function because of the blindness caused by the regulation by prices. However, we should not overlook the blindness that may be caused by regulation by price, in stressing the positive role of the regulation by price. In the past, our price economic rigidity. We must resolutely reform this. Now, we have reformed our price system, relaxed our control over prices, allowed prices to fluctuate, and thus roused the vigor and vitality of our enterprises, but relaxation does not mean the adoption of a laissez-faire attitude and the giving up of macroeconomic control. Our discussion about and study of a model for our price system are precisely aimed at giving full play to the superiority of the socialist system and looking for a form of price management that facilitates controlling the blindness as well as enlivening our economy.

II. Our Model of Price System Must Meet the Requirements of the Planned Commodity Economy Founded on Public Ownership

A model of price system means a certain pattern of price administration system or a certain type of price management system and is generally shortened as price model. It is a form of the realization of the rationalization of price structure in order to give play to the functions of price. Price system means

the relations of price disparity and the price relations between commodities reflected on the basis of the law of value. The contents of price system are the same under the conditions of any commodity economy. This is a general character of price as a relation of exchange. However, the price administration system that is adopted to form price structure, regulate price disparity, and rationalize price relations varies as the nature of commodity economy and national conditions vary. The model of price system that we are discussing and studying is nothing but a socialist price administration system, and in addition, is a socialist price administration system with Chinese characteristics and full of vigor and vitality.

How should we select our price system model? People generally think that as a type of price administration system, a model of price administration system consists of a decisionmaking system, a regulatory system, a motivation system, an organization system, and so on. These components are determined by the different forms in which the objective law of price formation shows itself under different commodity economic conditions, in other words, the different forms of price formation. Different forms of price formation determine different price decisionmaking systems, regulatory systems, motivation systems and organizational systems. Therefore, in selecting the model of price system, what is most vital is to discuss and study the forms of price formation under different commodity economic conditions. In the world at present, there are in the main two major kinds of price model owing to different types of commodity economy: One is the free price model in which prices take shape spontaneously entirely through the regulation of market mechanism under the conditions of the anarchic capitalist commodity economy. The other is the planned price model in which prices take shape in a planned manner under the conditions of a planned socialist commodity economy. Even in socialist countries, price models vary as their national conditions vary. Some of them adopt the centralized and planned price model; others adopt a decentralized model of free prices under the guidance of supply and demand relations; still others adopt a mixed planned and market price model. In selecting our country's model of price system, we should adhere to the principle of socialism and start from our national conditions. In my opinion, there are in the main the following objective bases for our consideration:

First, it should reflect the requirements of our country's planned commodity economy that is established on public ownership. Under socialist conditions, planned economy is not in conflict but is in unity with commodity economy. This determines that the form of price formation in our country is necessarily an organic unity between planned formation and the regulation of market mechanism. The price of pitting one of these two forms of price formation against the other does not conform to our country's socialist economic reality. Nor does the practice of allowing only centralized and planned price formation or allowing only the spontaneous formation of prices by the regulation of market mechanism.

Second, it should be suited to the planning system that our country has established and that consciously applies the law of value. The price administration system is an important constituent part of the whole socialist economic system and is in particular very closely related to the planning system. Our country's socialist planning system must consciously follow and apply the law of value and

is a system that combines centralism with flexibility. Our planning system must coordinate and must not be in conflict with our price administration system. This requires that the form of price formation in our country should consciously follow the law of value and should be a form that combines the centralism of planning with the flexibility of the regulation of market mechanism.

Third, it should be conducive to the development of social productive forces. The fundamental task of socialism is to develop social productive forces. In order to fulfill this task, we must radically change the rigid model of price system that hinders the development of our productive forces. We should enable the forms of price formation to correctly play the role of economic regulation and to facilitate not only enlivening our enterprises but also controlling blindness and thus promote the vigorous, planned, and proportionate development of our entire national economy. In order to conform to the diverse levels of productive forces, diversified economic forms, and planned commodity market system in the current period in our country, we are now adopting pluralistic forms of price formation including planned prices fixed by the state in a centralized manner, floating prices within planned ranges, and free prices. The above three forms of price each has its scope of application and functions and they should not be regarded as equals. Judging by the above-mentioned objective basis for the selection of our country's price model, I think that the principal model of price system for our country should not be the state's unified price or the free price but should be the floating price within a planned range.

Planned prices set by the state in a centralized manner has the advantage of direct planned regulation, but it has the disadvantage of not being able to sensitively reflect the change in value of commodities and in the supply and demand relations in the market; therefore, it should not be the principal form of price formation in the price system of our country's planned commodity market. This form of price formation is suited only to a small number of important commodities that are vital to our national plans and people's livelihood and that are directly controlled by our state. As the system of the state's indirect control takes shape and becomes perfect, we should gradually reduce the scope and percentage of the goods whose prices are set by the state in a centralized manner. Of course, it is not appropriate to entirely abolish this form of price formation in order to facilitate the state's direct control over the economic lifelines, in order to enable it to take part in the regulation by market mechanism and in order to bring into play its dominant role in regulating our national economy.

As for free prices, their greatest advantage is their ability to sensitively reflect the complicated and always changing supply and demand relations in our market; while their major defect is precisely that their entirely spontaneous formation through the regulation of market mechanism makes it impossible for them to be free from blindness. Even if we have perfected our system of indirect control, this defect will not disappear. We must be clear that our country's commodity economy is not a capitalist economy, but is a socialist commodity economy and that the model of price system that we select is nothing but a socialist price administration system. We should not fail to learn from

the lessons that some socialist countries have drawn from their implementation of the model of free prices under the guidance of supply and demand relations, let alone the lessons drawn from the consequence of the capitalist countries' implementation of the model of free prices entirely regulated by market mechanism. In order to meet the requirements of the planned commodity market system, our country should establish a sound system of indirect control. The state precisely applies price--the most effective economic lever (in coordination with application of diverse economic levers such as credit, taxation, and exchange rates)--as a major part of its planning to indirectly control and regulate the operation of its commodity economy. We can say for sure that there is a necessity for free prices to exist in our country in the present period. However, it can only be a useful supplementary form of economic regulation and cannot be the principal part of our country's price system.

The floating price within the planned range has the advantages of both the planning mechanism and the market mechanism, is conducive to microeconomically and sensitively reflecting market changes as well as to macroeconomical and planned control, and embodies not only the regulatory functions of planning but also the functions of the regulation of market mechanism. Therefore, it can be said to have the functions of both mechanisms. Since our country's socialist economy is a planned commodity economy on the basis of the public ownership and since it is not a free market economy on the basis of a private ownership, the typical form of price formation for our country must be the form of floating prices within planned ranges and must not be the form of free prices without planning. As our planned commodity market system gradually becomes perfect, the state's planned control will gradually switch from the practice of mainly exerting direct control to that of mainly exerting indirect control. As a result, the scope of floating prices within planned ranges must be correspondingly enlarged and become the principal form of our country's price system. I favor the view that the principal part of our country's price model should be the model of floating prices. To be more specific, it should be a price model with the planned prices set by the state in a centralized manner as the leading factor, with floating prices within planned ranges as the core, and with free prices as the supplement.

III. We Should Have A Clear Understanding of the Relaxation of Control and the Control over Prices and of Flexible and Stable Prices

Along with the switch from the rigid model of price system to the new model of price system full of vitality, people must also radically change their ideological concepts and accept the concept of planned commodity economy. Here, I am going to talk about two points of understanding related to the model of price system.

1. Relaxation and imposition of price control

In implementing the model with floating prices as the core, we must relax our control over prices. For floating prices, the state only stipulates some benchmarks for the prices and the planned ranges for price fluctuation. The actual prices are to be decided by enterprises on their own in the light of the changes in market situation. As for free prices, they are entirely regu-

lated by market mechanism and decided by enterprises on their own. Relaxation of control means the gradual reduction of the scope of the state's unified prices, the decontrol of prices, the enlargement of the scope of floating and free prices and the expansion of the power of our enterprises in setting prices.

An opinion that most people agree with is that the relaxation of price control does not mean a total decontrol and that the more the relaxation of price control, the greater the necessity to intensify our administration. This goes without saying. However, what is worth profound thinking is that in our real economic life, as soon as we relax our control over prices, a situation difficult to control will emerge and there will even be the unhealthy practice of unauthorized price hikes. Some comrades put the blame on the relaxation of price control and uphold a reversal of the practice. Does this not mean the return to the old practice of "confusion emerges as soon as control is imposed?" I think that the problem does not lie in the relaxation of price control. In order to bring into play the regulatory functions of price, we must relax price control. This is indispensable for the reform in our price administration system. At the same time, just as mentioned before, it is also inevitable that giving play to the functions of price will have the dual effect of invigorating enterprises and giving rise to some blindness. The crux of the problem is our administration. What kind of administration can enable prices to invigorate our enterprises and at the same time give rise to little or no blindness? This is a kind of art of administration, a kind of art that we are not familiar with. We are only familiar with the rigid and direct control and administration over prices that we conducted for many years. In people's minds, the concept of control, in fact, is the previous direct control and administration over prices. If we act according to this old concept, we will certainly pit relaxation of price control against price administration and it will be impossible for us to avoid repeating the old cycle of "confusion emerges as soon as control is relaxed and rigidity emerges as soon as control is imposed." Obviously, this does not meet the requirements resulting from the development of our socialist planned commodity economy or to the need to set up a new price administration system. We should have a new understanding of price administration and must radically change our concept. The "CPC Central Committee's Proposal on the Formulation of the Seventh 5-Year Plan for National Economic and Social Development" says: "The state's administration over enterprises will gradually switch from mainly imposing a direct control to mainly exercising an indirect control." Correspondingly, the state's administration over prices should also necessarily and gradually switch from mainly imposing a direct control and administration to mainly exercising an indirect control and administration. This requires that we must foster the concept of exercising indirect macroeconomic control and administration over prices and learn a new skill of indirect control and administration. Relaxation of price control does not correspond to direct control over prices, but corresponds to indirect control over prices. In relaxing price control and allowing prices to vary, we do not entirely decontrol prices, but make prices change along a normal orbit and sensitively respond to the changes in the planned commodity market. By so doing, the more we intensify our indirect macroeconomic control and administration over prices, the better the microeconomic relaxation of price control is facilitated. In the process of relaxing price control and allowing prices to vary, we will intensify our indirect macroeconomic control and administration over prices, really

manage to organically unify price control and relaxation of price control and really become able to avoid rigidity when imposing control and to avoid confusion when relaxing control.

How should we indirectly control prices? What can we control if we do not directly interfere with the setting of prices? People are often perplexed by these questions. One viewpoint holds that the state's indirect price control means only a control over the general price level. As for the prices for various commodities, it should allow them to be set spontaneously by the market. I think that this understanding of indirect control fails to view the issue in totality. The "Resolution" points out: "Prices are the most effective regulatory means." If the state only controls the general price level and allows the specific prices of various commodities to vary entirely spontaneously, then this actually means that the state gives up its most effective means of regulation by prices. I think that the state's indirect control over the prices that it has relaxed control over, should consist of the following two aspects. On the one hand, the state should control the general price level through controlling the balance between total supply and demand and through controlling the restrictive factors such as the volume of currency issued; on the other hand, the state should control the benchmark prices and ranges of fluctuation for the prices of most important commodities and thus consciously apply the regulatory means of price. Only a few unimportant commodities can have free prices over which there is no control at all. The state should give guidance to, and exercise its influence even over free prices. In so doing, it can conduct necessary administrative intervention. Of course, it is very difficult to exercise indirect macroeconomic control and we lack experience in this sphere, therefore, it is necessary to probe into the way to do so. I think that in probing into the way to impose macroeconomic control, we can do the following: For example: 1) In order to give play to the regulatory functions of price, we should control the general price level and the range of fluctuation for various prices and make comprehensive and coordinated application of price and other economic levers; 2) on the basis of summing up our experience in implementing the policy of direct price control, we should study and draw up new price policies for indirect macroeconomic control and administration over prices; 3) we should satisfactorily do the work related to price information and forecast, provide price advisory service and correctly guide enterprises in setting prices and making decisions related to prices; 4) we should provide a satisfactory environment for the relaxation of price control, for example, we should straighten out our economy, expand our commodity market, control total social demand, and create environment for competition between our enterprises; and 5) we should perfect our legislation related prices, intensify price examination and supervision and thus ensure that the relaxation of price control and the practice of allowing prices to vary [word indistinct] along the orientation of the development of the socialist planned commodity economy. Indirect macroeconomic control and microeconomic relaxation of price control coordinate with and are suited to each other. If we relax our price control before we have sufficient necessary measures to indirectly control prices, there will inevitably be a failure to exercise macroeconomic control over prices.

2. Flexibility and stability of prices

Relaxing price control while exercising an indirect macroeconomic control over prices will enable our prices to reflect changes in our markets and fluctuate around the value. The nature of the fluctuation of prices means its "flexibility," and is also its most prominent characteristic. Even the socialist planned prices are no exception. It is a misunderstanding to regard prices as fixed and unchanged. The factors that determine prices such as value and supply and demand relations always change; therefore, we cannot but allow our prices to fluctuate flexibly. If we deny the fluctuation of prices, it will be impossible for the law of value to play its role of regulation. Only "through the fluctuation of commodity prices can the law of value governing commodity production be implemented and can the thesis that socially necessary labor time determines commodity value become reality." (Footnote 2) (Engels: "Marx and Johann K. Rodbertus. Preface to the German Version of 'Poverty of Philosophy,'" "Collected Works of Marx and Engels," vol 21, p 215) The previous practice of fixing prices, unchanged for a long time, precisely reflected the rigid model of price system. Just as the "Resolution" points out, the reform in the model of price system that we are carrying out is precisely aimed at "enabling prices to relatively sensitively reflect the changes in social labor productivity and to relatively satisfactorily meet the demand of the national economic development." At the same time, we should also clearly see that under our socialist conditions, there should also be a stability in our prices. This is necessary for the socialist system in stabilizing its market and its people's livelihood and thus enabling its society and economy to develop steadily. We should provide a real possibility for socialist publicly-owned economy to stabilize prices through its macroeconomic control. The unity between the fluctuation and stability of prices is unique important characteristic of socialist prices.

For a long time, people have set the fluctuation of prices against their stability, in other words, set price "flexibility" against price "stability." Some comrades think that if we relax our control over prices, it will be impossible for prices to stabilize and that if we want to maintain stable prices, we must freeze prices of materials and goods and we should not relax our control over prices. In spite of our many years of repeated propaganda that stable prices do not mean frozen prices, in people's minds, they in fact continue to regard price stability as prices being unchanged and frozen. What is the reason for this? I think that this is mainly because we confuse the two different concepts in regard to the things which the flexibility and stability of prices refer to. The fluctuation or flexibility of prices refers to the price levels of specific commodities and is the characteristic of prices that fluctuate to reflect changes in the market. The stability of prices refers to the general price level and is the basic stable trend of the general price level while the rises and falls of the prices of specific commodities offset one another. The two are closely related and supplement each other. The fluctuation of the prices of specific commodities needs the stability of the general price level. If the general price level is not stable, the fluctuation in the prices of specific commodities will lead to economic disorder. The stability of the general price level, on the other hand, must be based on the rational fluctuation of the prices of specific commodities in order to maintain a rational price structure. If our price

structure is not rational, it will be difficult for the general price level to stabilize and it will be detrimental to giving play to the functions of price as an economic lever. However, the economic conditions that determine the stability and flexibility of prices are different. The fluctuation of specific prices is mainly determined by the changes in the value of the commodity and in the supply and demand relations; while the stability of the general price level is mainly determined by equilibrium between the volume of supply of commodities and the social purchasing power and the balance between total social supply and demand. From the above, we can see that maintaining the stability of the general price level is by no means a task for a single price administration department. It is not difficult to imagine that if our macroeconomy grows out of control, and if there is an overexpansion of social consumption funds and investment in fixed assets, then it is impossible for a price administration department to control and stabilize the general price level alone. Freezing the price of a specific commodity is only a temporary measure and should not be regarded as a law for price administration work. The effect of even applying a measure to freeze prices is restricted to state-owned enterprises only. It is impossible to freeze the prices in collective and individual units. At the same time, it is necessary to grant financial subsidies in freezing prices. This often means paying the price of allocating subsidies to obtain price stability on the surface. In essence, this means a "covert inflation." Moreover, it is too heavy a burden for our finance, if it is to be maintained for a long time. Therefore, it is unjust to lay the blame for the instability of the general price level entirely on our price administration department and call our administration of commodity prices "price hike administration." In order to maintain a stable general price level, we must satisfactorily do the work to strike a comprehensive macroeconomic balance, which is the consequence of the harmonized coordination of various departments of our national economy in making joint efforts to intensify macroeconomic control.

Will the reform in our price structure give rise to a rising trend to prices? This is a practical question that people are very much concerned about and have relatively frequently discussed. During the reform, we must maintain a basically stable general price level. Under normal conditions, if a comprehensive balance is struck through macroeconomic control, mostly, it will be relatively easy to maintain a basically stable general price level. However, what we are doing now is to reform our irrational price structure; therefore, whether the general price level will rise is determined by the degree of irrationality in our price structure that needs to be readjusted. We should not be satisfied with making theoretical forecasts but must make practical estimates. If price reduction is greater than price increase in our price readjustment, naturally, the general price level will not rise. Owing to the problems related to prices that have been left over by history, the prices of our mineral products and raw materials are generally low, the purchase prices of major agricultural and sideline products are higher than the sale prices, and the products of the processing manufacturing industry are generally too high. It is necessary to readjust two categories of goods of low prices and reduce the high prices of one category of goods in our price structure; therefore, our rough calculation shows that even if there is no inflation, the reduction in the prices of one category of goods is not enough to offset the rises in the prices of two categories of goods and that a fairly large range of

rise in the general price level is unavoidable. Looking squarely at the possibility of rise in general price level after price readjustment does not mean that we encourage price hikes, but means that we should be mentally prepared for the rise and earnestly find ways to maintain a basically stable general price level during our reform. This determines that in carrying out the reform in our country's price structure, we should not finish the price readjustment at one stroke, but we must divide up the task into several parts and do only a part of the task in each year. By so doing we will be able to avoid the social turbulence that may be caused by the price readjustment. Therefore, we should pay attention to studying the following: 1) We should make an estimated calculation of the rate of increase in our general price level that may be caused by the planned price readjustment for each of the coming years, and strive to control the rate within the range allowed by the necessity to maintain a basically stable general price level. According to our past experience, generally, it should be controlled within the range of 2-3 percent, but for some specific years, it should not exceed 5 percent. In particular, it should not exceed the interest rate for bank deposits or the rate of wage increase in order to avoid causing economic disorder or instability in people's livelihood. 2) In carrying out each stage of price readjustment, we should fully consider the capacity of the state finance to bear it, the capacity of our enterprises to absorb the increase in costs, and the capacity of the masses of people to endure it. We should do our best to avoid a widespread chain reaction that may be caused by the price readjustment that exceeds these capacities and that may thus give rise to universal rotational price rises. 2) We should create a satisfactory macroeconomic environment for our price reform, strive to strike a comprehensive balance for our national economy, control the volume of issuance and injection of money, and prevent any instability in the value of our currency from affecting the stability in our general price level during our price reform.

The range of increase in our general price level in each of these years that we are to control, is not the range of change in the prices of some specific commodities, but is the average change in our general price level as a whole. Therefore, during the reform in our price structure, while controlling the general price level within the range allowed, we should allow the prices of specific commodities to rise or fall in order to reflect the changes in our market. We should not view the changes in the prices of specific commodities during our price reform with the old idea of freezing prices and thus regard any increase in price as price instability. How can we reform our irrational price structure if none of the prices of specific commodities is allowed to change? Here the following two issues are worth studying and handling. 1) The issue to draw a clear demarcation line between rational and irrational price increases. As our price structure is irrational, the prices of some commodities should rise. These rises are rational and necessary for the reform in our price structure. But we should strictly forbid the practice structure. As for the practice of taking advantage of the reform to pushing up prices at will or in disguise, or even the practice of producing fake medicine and goods and pushing up prices indiscriminately, they are illegal practices and must be punished by law. 2) We should satisfactorily combine price readjustment with relaxation of price control. In regulating our prices, readjustment means changing our prices consciously in a planned manner; while relaxation means allowing

prices to be regulated by market mechanism itself. We should not adopt a laissez faire attitude toward the prices over which we have relaxed our control and thus allow an irrational disparity between listed and market prices. For important commodities, we should set planned ranges to restrict the fluctuation in prices, and thus control the fluctuation within the scope that the state, enterprises, and masses of people can endure. As for the prices on which we have lifted our control and allowed to change freely, under the situation of a serious shortage of certain materials and goods, we should fix a ceiling for the prices. If we entirely abandon our control over these prices, we will not be able to maintain a basically stable general price level.

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PROVINCIAL AFFAIRS

WANG JUN ON 1986 ECONOMIC, SOCIAL DEVELOPMENT PLAN

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["Excerpts" of the report on the 1986 Beijing Municipal Economic and Social Development Draft Plan given by Wang Jun, chairman of the Beijing Municipal Planning Commission, at the Fifth Session of the Eighth Beijing Municipal People's Congress on 14 May]

[Text] Fellow deputies:

Entrusted by the municipal government, I now submit a draft plan on the 1986 Beijing Municipal economic and social development to the present session.

Based on our country's Seventh 5-Year Plan and the plan for 1986 adopted at the Fourth Session of the Sixth NPC, the basic tasks of the 1986 Beijing Municipal economic and social development plan are: Continue to implement the guidelines of the "four directives" given by the CPC Central Committee Secretariat, and the "10 instructions" given the CPC Central Committee and the State Council; do a good job in consolidating, digesting, supplementing, and improving the economic structural reform in accordance with the unified plan of the central authorities; strictly control the scope of investment in fixed assets; guard against the excessive growth of consumption funds; keep production at a proper growth rate on the premise of raising economic results; strive to strengthen and improve macroeconomic management; maintain a basic balance in finance, credits, materials, and foreign exchange; and develop the municipality's economic and social undertakings in a sustained, steady, and coordinated manner.

Under the draft plan, the total product of society should be valued at 51 billion yuan, up 5.8 percent over last year; the national income should be 20.5 billion yuan, up 5.7 percent over last year; the gross domestic product should be valued at 27.5 billion yuan, up 7 percent; and the total industrial and agricultural output value should be 37.2 billion yuan, up 6.4 percent.

1. The Agricultural Sector Should Promote an Overall Development in the Rural Economy Under the Premise of Stabilizing the Grain Output

The suburban areas should continue to implement the principle of "serving the capital, making the peasants prosperous, and building a new modernized socialist

countryside," readjust the production setups in a planned and step-to-step manner, develop diversified undertakings, reform and improve the circulation system, and establish more stable nonstaple food bases in line with the requirements of making them become more and more specialized, commercialized, and modernized. Under the draft plan, the total industrial and agricultural output value of the suburban areas should be 8.09 billion yuan, an increase of 10 percent over the previous year; the output of grain should be 2 million tons (4 billion jin), that of milk, 140,000 tons (280 million jin), and that of eggs sold as commodities, 120,000 tons (240 million jin). The purchase of hogs should be 1.7 million head and the output of meat chicken should be 6.5 million. The volume of fish should be 17,500 tons (35 million jin) and the output of dried and fresh fruits should be 195,000 tons (390 million jin).

In order to stabilize grain output, and to properly increase funds for agricultural production and construction, we should increase the amount of subsidies for supporting agricultural production. All districts and counties should conscientiously implement the principle of operating rural industrial enterprises in order to support agricultural production, and lead the peasants in increasing their investments in agriculture. The grain farming areas should be relatively stabilized.

It is necessary to adopt measures to strictly prevent the areas of grain fields from being excessively reduced. We should strengthen the work of carrying out scientific research in the agricultural sector and of popularizing technology, raise the proportion of fine grain strains, apply more fertilizer to the fields, and strive to raise the per-unit area yield.

We should continue to implement the policy that agricultural production must serve the urban areas, and strengthen the building of nonstaple food producing bases. Vegetable production and supplies should be mainly carried out by the suburban areas, supplemented by the outer suburbs, and regulated by other localities. In vegetable production, we should grasp three links well: First, we should ensure the vegetable farming acreage. The farming areas in the suburban areas should not be less than 170,000 mu and the outer suburbs should strive to make the vegetable farming acreage reach 40,000 mu. This is a basic measure for guaranteeing vegetable output. Second, we should conscientiously implement the vegetable production and marketing contracts which should be strictly honored by peasants and commercial units. Third, we should resolutely implement the various government economic policies and regulations for developing vegetable production and guaranteeing vegetable supplies, and fully mobilize the enthusiasm of vegetable growers. In the meantime, commercial departments should strengthen cooperation with neighboring areas, establish vegetable production and supply bases, step up the purchases and transportation of the vegetables grown in other areas, and strive to make this year's vegetable production and supply better than those of last year. We should continue to greatly expand the production of milk, eggs, poultry, fresh-water fish, lean-meat hogs, and dried and fresh fruits, and satisfy the needs of the capital on a priority basis. We should also further reform and improve the farm and sideline product circulation system, set up direct links between producers and sellers, develop inter-regional joint operations and the new commercial departments joined by agricultural and industrial units, by agri-

cultural and commercial units, accelerate the construction of farm and sideline product wholesale markets, and create better conditions for farm and sideline products to enter the urban areas.

Township enterprises of our municipality have witnessed great development over the past few years. This year, they should further consolidate themselves, strengthen management, expand lateral economic cooperation, and strive for better economic results. All districts and counties should decide on the orientation and major areas of development of their township enterprises on the basis of their own economic situation, natural resources, and market demands so as to avoid blind acts. At present, they should mainly engage in the processing of farm and sideline products, ore mining, the industries, commerce and service trades in support of large industrial enterprises, and the tertiary industry for pre- and post-production service. Departments in charge of various trades should give a helping hand and guidance to districts and counties in their planning for township enterprise development. Township enterprises should rely chiefly on their own accumulated funds and develop according to their capacities. Finance, tax, and banking departments should abide by relevant regulations and support the best enterprises on a priority basis. A portion of the increased income of township enterprises should be set aside to support crop farming, forestry, animal husbandry, and fisheries so that the economic benefits of various rural trades can be rationally distributed, and production in various fields can develop in a coordinated manner. Establishment of township industrial enterprises on the outskirts areas, in particular areas within the city proper, should be strictly controlled. Enterprises with funds and technologies in outskirts areas may move to outer suburbs to carry out joint operation. This year, the total income of township enterprises will exceed 6 billion yuan, an increase of 16 percent over last year.

Effective measures should be adopted to gradually change the faces of the 37 poverty-stricken villages in mountainous areas. All trades and professions, and all relevant districts and counties throughout the municipality should conscientiously implement the relevant resolutions and various policies and regulations of the municipal People's Congress Standing Committee and government, support their production and construction in a planned manner and according to established priorities with funds, materials and technology, and solve the current practical problems in drinking water supply, transportation, and afforestation as soon as possible. All poor villages should carry forward the spirit of self-reliance and arduous struggle, rely on their own efforts, and make the best use of their local resources to develop production, improve their living standards, and gradually change their poverty situation.

2. Industrial Production Should Be Focused on Improving Product Quality and Economic Results, and Should Be Increased in a Sustained and Stable Manner

According to the arrangements of the draft plan, 2.22 million tons of rolled steel, 8.89 million tons of coal, 2.59 million tons of cement, 56,000 vehicles, 800,000 television sets (including 400,000 color sets), 210,000 refrigerators, and 700,000 washing machines will be produced. The railway freight volume will reach 29 to 29.4 million tons, the road freight volume will reach 43.78 million tons, and the passenger volume of urban public transportation facilities will

reach 3.28 billion people. The taxes and profits realized by industrial enterprises will increase by 6 percent, the per-capita productivity will rise by 5.5 percent, the energy consumption for per 10,000 yuan of industrial output value will drop by 5 percent, water consumption will drop by 6.5 percent, the steady improvement rate of product quality will maintain 90 percent, and the turnover of fixed-quota circulating funds will be speeded up by 3 percent.

The industrial departments should place their work of upgrading the quality of products and lowering the consumption of fuel, motive power, and raw materials on their important schedule. Efforts should be made to uphold the principle of regarding the work of improving product quality as a primary task and to earnestly implement the "provisions" published by the State Council with regard to enforcing the responsibility systems in improving industrial product quality. We should also enhance the management over 130 large plants that have consumed excess volume of power and 260 large plants that have consumed excess volume of water. The enterprises should conduct fixed-quota management over various consumptions, particularly over the consumption of energy resources and water. Efforts should be made to enforce the measure of progressively increasing the water and electric charges of those that have surpassed the fixed consumption quota. In distributing energy resources, water, and raw materials, efforts should be made to ensure the production of key enterprises, export commodities, fine-quality products, and products turned out with advanced technology in order to pledge to fulfill the mandatory plan and the plan for turning out products to readjust markets. We should restrict the production of commodities that are low in quality and high in prices, enjoy slow sales, and consume large volume of energy resources and raw materials. We should also prevent the trend of not stressing economic results and of seeking output value and productive speed lopsidedly.

The industrial enterprises should further readjust product structure and make efforts to develop export commodities that can earn large volume of foreign exchanges and products that are fine in quality, in short supply on markets, and enjoy brisk sales. Efforts should be made to vigorously improve the quality and function of old products, to upgrade the standard of products, to promote product improvement and renewal, and to continuously increase the variety of new products. We should pay attention at all times to the changes of market demands and accelerate the pace of developing, studying, and manufacturing new products in order to continuously reinforce the ability of enterprises to meet an emergency. In 1986, we will develop 300 fine-quality products at or above the municipal level and will complete the trial-manufacture of 2,000 products, of which 1,000 trial-products will be put into production. We will enforce the encouragement policy among the enterprises that turn out fine-quality products, export products earning foreign exchanges, products in short supply in markets; and will give them preferential treatment in loans, transportation, prices, and tax drawback. We will not suspend or reduce at will the production of minor commodities needed by the people's livelihood and should give preferential treatment to such production in raw material supply and in economic policies.

Efforts should be made to enhance technical renovations among the enterprises and to follow the road of expanding reproduction with the work emphasis of tapping latent power. A good job should be done in conducting the work of

digesting imported technology, creating something new from it, and of turning out domestic technology by having the 34 large and middle-sized backbone enterprises covered by the state plan and 23 enterprises that have assumed the task of earning foreign exchanges by exports imitate it. Efforts should be made to vigorously increase investment results in order to pledge to complete the technical renovations of the state 17 key projects and the 130 municipal projects and to put all projects into production in line with the plan.

3. We Should Realistically Make Good Arrangements for Capital Market Supplies in Order To Vigorously Meet the Increasing Need of the People's Livelihood.

In line with the arrangement set forth by the draft plan, the total retail sales of the municipal will reach 14.5 billion yuan, a 13.7 percent increase over the 1985 figure. In order to meet the need of improving the people's livelihood, the industrial departments should assuredly fulfill the plans for turning out 40 commodities that enjoy brisk sales and in short supply and 60 minor daily commodities and for supplying commodities. The agricultural production departments should vigorously increase the output of farm and sideline products and earnestly implement the contract system of fixed-quota grain purchase. The commercial departments should continuously conduct reforms in circulation systems and open the gate of the capital in order to organize commodity sources in a multiple way and to further enliven commodity circulation. Efforts should be made to vigorously establish transregional and transdepartmental lateral economic associations; to consolidate the existing channels of commodity sources through joint-venture business, joint-sale operation, and technical coordination; and to develop new commodity bases. The state commercial enterprises should grasp a large volume of commodities in short supply and the important consumer goods, and actively join in the operation of regulating markets. In order to improve the supply of vegetables closely related to the people's livelihood, the agricultural and commercial departments should make concerted efforts in conducting vegetable production and supply in a balance way; ensure the inner suburbs to provide 575,000 tons (1.15 billion jin) of vegetables, outer suburbs to provide 100,000 tons (200 million jin) of vegetables, and outside cities to sell 200,000 tons (400 million jin) of vegetables to the municipality; and should urge the state commercial departments to grasp the major vegetable sources and to play a guiding role in order to ensure vegetable supplies, to maintain stable prices, and to achieve lower price trend.

We should continue to exert vigorous efforts to develop industries directly related to the people's livelihood, including the commercial, catering, service, and repair industries. We should continue to implement the principle of encouraging the state, collective, and private enterprises to participate in the work and urban and rural areas to grasp the work, conscientiously implement the various policies and measures set forth in the Document No 1 issued by the municipal CPC Committee, extensively mobilize the enthusiasm from all quarters, ensure that this year's new service units will increase by 15,000, strive to rationally distribute these units, and develop a group of markets and wholesale markets for farm products. We should further strengthen management over the commercial, catering, service, and repair trades, reduce circulation expenses, and raise economic results. We should also vigorously promote the practice of treating customers politely and doing business in a civilized

manner, realistically improve service attitude, and raise service quality. At present, we should adopt measures to resolutely check the unhealthy trend of tie-in selling that harms the interests of the consumers.

4. We Should Vigorously Develop Foreign Trade and Tourism and Increase Foreign Exchange Earnings

Under the draft plan, the foreign exchange earnings from foreign trade should reach \$645 million, and that from tourism \$400 million (with plans to receive 1.2 million tourists), showing an increase respectively over last year.

The industrial, agricultural, and foreign trade departments should closely cooperate with one another, provide more quality and competitive export commodities of low prices, and start establishing a stable export production system. We should strive to expand the export of industrial goods, particularly the export of machinery and electronics products. Enterprises producing export commodities should resolutely implement the various economic policies of the State Council and the municipal government that encourage exports. Foreign trade enterprises should promote the economic contract responsibility system, improve the methods of giving awards and punishment, and further spark the enthusiasm of workers in operation. If contradictions between sales on the domestic and foreign markets arise, we should reduce the quantity of commodities for domestic markets, except for those that are related to the livelihood of the people, in order to ensure export. We should promote the sales of export products, continue to open up new world markets, establish and improve market networks, and pay attention to establishing some service centers in foreign countries on a trial basis.

The transaction of technological import is planned to be \$100 million, which should be mainly on the technological transformation of enterprises producing export production and on the domesticization of key products. We should pay attention to implementing the contracts on 203 technological import projects that have already been signed and carrying out some supporting work.

The building of tourist facilities should be vigorously strengthened. Under the plan, we should increase some 3,000 hotel rooms for foreigners. The civil aviation and railway sectors should tap potentials and strive to increase the capacity for passenger transport. We should speed up the establishment of tourist spots and the building of the under construction projects, including Shihua cavern, Yunju temple, Shidu, Tuanhe imperial palace for short stays, Shijingshan amusement park, and the Changcheng museum in [name indistinct], start building the second-phase supporting project of repairing the Great Wall in Mutian Valley, and the new scenic spots along Guangou. Meanwhile, we should develop a series of commodities for tourists and train tourist personnel in order to raise the comprehensive tourist reception capacity and the service level.

5. We Should Conscientiously Implement the Decision of the Central Authorities on Reforming the Scientific, Technological, and Educational Systems, and Develop Scientific, Educational, Cultural, Public Health, and Sports Undertakings

We should continue to reform the scientific research structure, strengthen management over spadework, establish and improve all responsibility systems.

Further efforts should be made to display the scientific and technological superiority of the capital, encourage lateral cooperation among the scientific research departments, and between the research and production departments, display the role of technological markets, promote the transfer of scientific research findings to the production sphere, and organize scientific and technical workers to tackle the technical problems concerning economic construction and social development. Meanwhile, we should pay attention to developing new and high technology. Major areas of this year's scientific research plan include: 1) Development of new technologies and new materials; 2) successful popularization and application of computers, and improvement of the quality of efficiency of managerial work; 3) development of a number of scientific research projects which yield better and faster returns with concentrated efforts, and turning them into productive forces rapidly; and 4) development of a number of soft scientific projects to provide scientific data for the strategies of Beijing's economic, social, and scientific and technological development. This year, we should grasp well 81 projects covered by the municipal-level scientific and technological plan and, in particular, concentrate efforts on and make a success of the 14 coordinated technological research projects, such as water conservation, development of lean-meat hogs and milk industry, and development of fire alarm systems. We should organize the implementation of our municipality's "spark plan," widely apply the 10 coordinated technologies, and set up 30 model township enterprises which have their own characteristics.

In education, we should conscientiously implement the principle of comprehensive moral, intellectual and aesthetic education, and physical culture, and strive to improve the quality of instruction. According to the arrangements of the draft plan, this year municipal ordinary higher educational institutions will enroll 9,455 students, secondary specialized schools 10,000 students, ordinary senior middle schools 30,000 students, vocational senior middle schools 10,000 students, and skilled worker schools 7,500 students. We should further rationalize the educational structure, provide more favorable conditions for running schools, and fully arouse the initiative of all quarters to run schools of various specifications at various levels with various measures. We should intensify the training of teachers, and accelerate the construction of teachers' training institutions. We should earnestly pay attention to the 9-year compulsory education, continue to restructure the secondary education, develop vocational and technical education, and, at the same time, do a good job in encouraging junior middle school graduates to enroll in schools other than ordinary senior middle schools. We should develop various types of adult higher education and secondary specialized education steadily, and make sure that their scopes are appropriate; their specialties suit the needs; and their quality is good. Ordinary higher education should be developed steadily in the course of reform, its quality should be emphasized, its structure of specialties and level of schooling should be readjusted, and enrollment should be conducted in strict accordance with state plan. Job distribution for college graduates should be further reformed so that they can be used rationally. We should organize and mobilize forces from all quarters of society to run nurseries and kindergartens well, and enable more children to attend preschools.

During the Seventh 5-Year Plan period, the number of primary school students will reach a peak, and school buildings and teachers will be in serious shortage.

The municipal CPC Committee and government attach great importance to this, and have ordered relevant departments to work out ways to solve this problem. After study, it has been decided that the unified construction of small-scale school buildings should be expedited in addition to making the best use of the existing school buildings, and increasing the number of students per class. The municipality as well as all districts should allocate special funds for the primary schools whose buildings are old and shabby but can be repaired to renovate and expand their buildings, and primary school buildings occupied by noneducational departments should be returned within a definite time. The above-mentioned measures should be fulfilled mainly by districts, which will be actively coordinated by relevant municipal departments. It is anticipated that the serious shortage of school buildings can practically be alleviated through hard work. Corresponding measures are also being carried out one by one to stabilize the teachers' contingents of primary and middle schools, expand the supply of teachers, and improve their competence.

We should continue to implement the various measures of the municipal government for educational development, and encourage the entire society to show concern for and support education, in particular the education in mountainous areas. The education funds will increase by 13.4 percent over last year, which is higher than the increase in revenue.

In health work, we should conscientiously do a good job in the prevention and treatment of contagious diseases, strengthen the supervision over good sanitation, attend to child care and immunity, improve the responsibility system for maternity care, perfect the urban and rural three-level prevention and protection network, and combine Chinese traditional medicine with Western medicine more successfully. We should continue to strengthen the construction of medical facilities. The plan arranges that the number of sickbeds will increase by 1,100 throughout the municipality, and family-based sickbeds should also be increased. We should intensify the training of specialized health workers, and concentrate efforts to run successfully the Shoudu Medical College, the Chinese traditional medical and pharmaceutical college, and a number of health and nurse schools. We should improve service attitude, and upgrade the quality of medical care.

We should continuously bring the population growth under control. By no means should we relax our vigilance in conducting family planning work. The municipality plans to achieve a natural population growth rate of 9 per thousand, to further bring under control the mechanical growth of population, and to maintain less than 9.71 million permanent residents by the end of 1986.

We should continuously do a good job in grasping undertakings in the fields of culture, physical culture and sports, broadcasting, and publication and in enhancing the building of cultural halls and libraries in districts and counties, with efforts to build 10 cultural halls and libraries in these localities. The publishing and printing industries should accelerate their pace in conducting technical renovations. In the field of physical culture and sports, efforts should be made to pay attention to or strengthen sports development among middle and primary schools, to conduct the work to develop spare-time sports schools, and, on the basis of extensively carrying out mass sports activities, to continuously upgrade the standard of the outstanding sports teams. We should

uphold social benefit as a highest guiding principle in conducting radio and television station on a trial basis in the latter half of this year. Efforts should be made to continuously restore the places of cultural and historical interest, such as Dazhong temple, Wanshou temple, Shisan tomb, Xiannong temple, and Taishui temple, and to step up building the monument for the martyrs of the war of resistance against Japan.

6. We Should Enhance Environmental Construction and Do a Good Job in Greening, Beautifying, and Purifying the Capital

The municipal government has made special arrangements for the 1986 work of environmental protection and decided to successfully carry out 12 practical deeds for the people. Efforts should be made to implement the principle of consolidating public security in a comprehensive way in specific districts and to concentrate on controlling water pollution and pollution caused by gas, garbage, and noise. The major projects of comprehensive consolidation include the repair of the West Changan street area and the Beijing stadium area and the controlling of the water channels along the Yongding He, the polluted section of the Hucheng He at Sibian Gate, and the Yudai He in Tongxian County. The municipality also plans to build eight small beautiful residential areas, including the Sanlihe District in the west suburb, the eastern Taintan District, and the eastern Qingnianhu District; to develop 1.2 million square meters of heating supply network; to deal with 70 pollution sources, including plants (workshops) that have seriously interfered with the people's livelihood; and to build sewage treatment plants among the 15 hospitals. We will have Miyun County take up the pilot work of protecting the ecological balance and potable water sources. Efforts should be made to control the pollution caused by motor vehicle gas and noise, to prevent tractors from going through the areas around the Sanhuan road, and to set up additional automatic stations in charge of surveying or supervising the gas pollution from the Capital Iron and Steel Company and the Yanjing Chemical Plant.

In greening the city, the municipality plans to plant 300,000 mu of trees; to plant 15 million trees around houses and along rivers, roads, and ditches; to plant 1.2 million trees in urban areas; to lay 1 million square meters of lawn; and to plant 250,000 flowers along the urban main streets. Districts and counties should make efforts to build parks, to green their roads and small residential areas, and to build a large number of garden-style villages. A good job should be done in formulating the plans for greening the highways between Beijing and Miyun County and between Beijing and Zhoukoudian and for building the green belt along the outer suburbs, and in beginning to green some areas and sections in line with the plans.

7. We Should Bring Under Strict Control the Scope of Capital Construction and Ensure the Construction of Key Projects

During the first 2 years of the Seventh 5-Year Plan period, the municipality will maintain the standard of investment in fixed assets that was scored in 1985.

The 1986 municipal principle for making arrangements for local capital construction is to ensure the projects that can be completed within the year; to make arrangements, to the greatest extent possible, for the continuous projects having the necessary conditions; and to bring under strict control the new construction projects.

In line with the state investment in capital construction among the local public-owned units in the municipality and the investment in capital construction of the collective-owned units, and in line with the investment not covered by state restriction, the municipality plans to generally maintain in its draft plan for the scope of investment in capital construction the standard that was scored in 1985.

The arrangement for investment in some major local departments should be as follows:

We should continue to place the construction of the urban infrastructure above all other construction projects and the planned investment in this field should account for more than a half of the capital construction investment arranged by the municipality's local financial department. Such investment should be used mainly for building water and gas supply projects and roads in the urban areas. Regarding the water supply, we should complete the reconstruction projects of the Chengzi water works and the Beiwu water pumping station, start building the No 9 Shuiyuan water works, and tap the potential of the No 8 Shuiyuan water works. As regards the gas supply, we should mainly build natural gas supply, storage, and pressure regulation stations; grasp the projects of moving and overhauling the furnaces of the coking plant in order to increase gas supply; and strive to equip the plant with over-type furnaces by the end of the year. Furthermore, we should fulfill the task of laying gas pipes and installing gas stoves for 60,000 households, and basically complete the construction of the gas tank plant. Concerning heating supply, we should complete the second-phase construction of the Zuojiashuang heating supply plant and start building spike boilers [jianfeng guolu 1423 1496 6938 3619] of the No 2 heating supply plant. In road construction, we should complete the construction of Yuquanshan road, Dongzhimenwai Street, the northern section of Anzhen road, Majiabao road, and the Dabeyao overpass; begin the construction of Dongwaierhuan road (the section from Dongbianmen to Puhuangyu) and the supporting overpass project; and start improving and broadening Dongnansanhuan road (from Shuangjing to Muxiyuan). The municipal road maintenance department should also use the road maintenance funds to build part of the road sections of Jingshi road and Jingyu road, and the second-phase construction of Badaling road. In environmental hygiene, we should mainly arrange for the construction of seven garbage disposal yards. Proper arrangements should also be made for environmental protection, landscaping and afforestation, water conservation, and flood prevention, public transportation, car purchases, and the dismantling of houses to make room for urban construction projects. In addition, we should also coordinate with the post and telecommunications departments in fulfilling the plan for installing 60,000 telephone lines in the urban areas.

Under the plan, the educational department should complete the construction of the laboratory building and the student cafeteria of Beijing Engineering University, the library of the Agricultural Institute, and the school building

of the No 2 branch of the People's University; continue the construction of the laboratory building of the teacher's training institute, the library of the economic institute, and the school building of the radio and television university; grasp the renovation and expansion projects of more than 20 primary and middle schools, including the No 4 Beijing middle school; and begin the construction of the Xizang middle school and Jingshan school.

The public health department should complete the construction of Longfu, Diliu, Xiaozhuang, and Guanzhuang hospitals and the municipal emergency center; continue the construction of Taintan, Huimin, Shijingshan hospitals; and start expanding Youyi, Ertong, and Tongren hospitals.

The scientific research, cultural, and sports departments should mainly build the Xiannongtan track and field stadium, the educational television station, the second-phase construction of a radio station, the printing plant of Beijing Ribao, warehouses for cultural relics, the laboratory building of the New Technology Institute, scientific and technological centers, and institutes for scientific and technical personnel to further their study.

Under the plan, the financial and trade departments should complete the construction of the Hepingli department store; build Qijiayuan commercial building, Dongsì people's market, Fuchengmen vegetable market, Fuxingmenwai comprehensive commercial center, and a few medium-sized commercial centers; continue the construction of a feed processing plant, the No 2 bean product plant, the Liubiju preserved vegetables plant, two meat cooperative plants in Haidian and Tongxian counties, vegetable storage facilities, and grain depots; and complete the construction of a group of support projects of the commercial units and the renovation of some houses and shops. As for hotels, we should mainly build seven joint-venture hotels, including the guest house attached to Beijing hotel and Heping guest house, and 23 hotels of average standard. Under the plan, we should complete the construction of some 5,000 guest rooms, 244 apartments, and 30 office buildings.

The political and legal departments should mainly build police academies, traffic command centers, social welfare institutes, child welfare institutes, hospitals for mental patients, and archives for courts.

The agricultural, forestry, and water conservancy departments should complete the construction of the Shisanling water diversion project and Yongding floor-control sluice gate, and establish Huadu meat cooperative plant, a dairy product processing plant, and a comprehensive commercial center for aquatic products.

The industrial departments should mainly build the Huadu brewery, Dongjia grape wine plant, refrigeration compressor plant, woolen silver plant, Yanshan cement plant, and other industrial projects that suit the characteristics of the capital.

In housing construction, construction of 6.7 million square meters has been locally arranged, of which most will be built with the funds collected by the user units themselves, and the rest is covered by construction plans. We plan to complete more than 2 million square meters, including 100,000 square meters of housing for primary and middle school teachers, and 20,000 square meters for

veteran cadres. In addition, special funds have been arranged for housing for retired army cadres, for the houses used in implementing the private house policy, and for renovating simple buildings.

After repeated study, the municipal government held that the above-mentioned arrangements conform to the state's demand for strictly controlling investment scale and also take the urgent needs of various fields into consideration. However, the construction scale is not small, and therefore construction forces will be very strained, building materials will fall short, and great efforts will be needed in completing the construction.

Construction projects should be properly arranged so that the scale of investment can be brought under control. Comprehensive balancing and rational arrangements should be conducted in line with the needs of the municipality and the possibility of local financial and material resources. All departments and units should take the overall situation into account, refrain from vying for more projects under construction, and pay close attention to their construction speed so that these projects can be completed and commissioned at an early date and yield results as soon as possible.

In order to ensure that this year's local capital construction scale is kept within the state-assigned quotas, we should adopt the following measures:

- 1) We should straighten things out with regard to the projects under construction. Projects that are not provided with necessary construction conditions and yield poor economic benefits should be suspended or postponed in order to guarantee the construction of necessary key projects.

- 2) We should bring new projects under strict control. Except for those with special approval, no projects should be started in principle. According to state stipulations, large and medium-sized projects should obtain the approval of the State Planning Commission before they can be started. No district, county or bureau (general company) is permitted to overstep its authority to examine and approve construction projects, nor is it permitted to exceed the investment scale set by higher levels. With regard to the projects that are examined and approved by the units which overstep their authority, relevant departments should not handle their planning, designing, and land requisition procedures, and should not issue construction licenses, and banks should not issue funds to them.

- 3) We should strengthen management of the capital construction funds raised by units themselves. Such funds should be examined by financial departments first to verify that they are collected through proper channels according to regulations, and should be deposited in construction banks for at least 6 months before they can be used. Bank loans and credit investment must not be regarded as self-raised funds. If the money deposited in banks is not sufficient, the planned investment quotas should be reduced accordingly. Funds deposited in other banks must not be used in capital construction.

- 4) We should go through all capital construction procedures when carrying out all capital construction projects. We should establish a strict system to

appraise projects. With regard to new projects, the reports on the feasibility study should be examined and appraised by consultation units entrusted by the municipal planning commission, and then examined and approved by the Municipal Planning Commission itself after it conducts comprehensive balancing. Only after this can we cover the new projects in our construction plans.

5) We should adopt the method of "investment responsibility." Projects provided with the conditions for adopting this method must not be started before the responsibility for their investment is fixed. Construction units should carry out conscientious consolidation, strive to improve the quality of construction, shorten the construction period, and must not ask the development units for any funds not related to the projects. In addition, the method of signing contracts to fix the amount of wages for every 100 yuan's worth of finished work should be improved. Designing units should strive to raise the quality of designing, actively serve consumers, and collect the designing charges in strict accordance with the regulations of the State Planning Commission.

8. We Should Strengthen and Improve the Macroeconomic Control, and Do a Good Job in Overall Balancing

When strengthening and improving the macroeconomic control this year, we should carry out the following work successfully in addition to strictly controlling the investment in fixed assets and readjusting the investment pattern.

1) Efforts should be made to continuously bring under control the excess increase in consumer funds and to further enhance management over funds for urban staff members' and workers wages. We will no longer be able to increase the sum bearing a balance between the total wages of staff members and workers, and the total profits and taxes handed over by the enterprises. No unit is allowed to establish new allowances and other subsidies by using funds for rewards. Efforts should be made to strictly follow the state provisions in collecting taxes, giving rewards, or regulating wages from the state enterprises, establishments, and units. We should carry out consolidation and examination of the scale and total sum of tax reduction and exemption among the collective-owned and township- and town-run enterprises. Efforts should be made to resolutely curtail the institutional purchase power of organs, enterprises, establishments, and units and to strictly oppose extravagance and waste.

2) Efforts should be made to bring under strict control the scale of credits. The 1986 state plan for local credits shows a small increase over the 1985 target. Doing a good job in making use of these funds has a vital bearing on supporting industrial and agricultural production and enlivening commodity circulation. Banking units should make efforts to attract the people's deposits and to expand fund sources. Efforts should be made to actively set up centers and networks in charge of having the people open saving accounts and to encourage organs, organizations, enterprises, and units to accept deposits. In releasing circulation funds and loans, banks should deal with each case on merit, give support to those outstanding ones, and should readjust the fund surpluses and shortages in a timely manner. Specialized banks should subordinate their orientation and scale of loans for investment in fixed assets to

the state macroeconomic policy decisions; bring their loans not only in line with the state credit plan, but also with the plan for investment in fixed assets; and should by no means use loans for projects not covered by the plan. Efforts should be made to improve the accounting work of banks and to make things convenient for clients in order to accelerate fund circulation.

3) Efforts should be made to enhance the maintenance of the comprehensive balance among material sources and to do a good job in conducting the work of distributing materials. The 1986 state material distribution to local units generally maintains the standard scored over the past 2 years, and the supply of major materials for both production and construction is still short. Therefore, the municipal departments in charge of this work should adopt various ways and means to organize local material sources. In conducting distribution, we should first fulfill the demands of production covered by the mandatory plans and of the key construction projects, make preferential arrangements in raw material supply for the enterprises producing export commodities and products in short market supply, and should deal with other distributions chiefly through regulating markets. Production enterprises must ensure the fulfillment of the municipal plan for readjusting material supply volume and will not be allowed to conduct self-sales if they fail to fulfill the plan or the target set forth by the plan. Efforts should be made to conduct coordination in material supply and to exchange materials. Meanwhile, we should raise funds for building raw material supply bases among the areas endowed with abundant natural resources in order to further expand material sources. A good job should be done in continuously recovering or utilizing metal waste and resolutely fulfilling the task of handing over metal waste to the governments.

4) Efforts should be made to enhance management over foreign exchange. We should conduct centralized management over foreign exchange, conduct careful calculation, and should practice economy in using foreign exchange in line with the target set forth by the state. The areas with dense populations should use their retained foreign exchange chiefly for purchasing equipment and appliances urgently need by the departments of science, education, culture, and public health and for purchasing foreign raw materials needed for both production and construction. Efforts should be made to carry out strict approval for sending observation delegations abroad. A good job should be done in realistically adjusting the usage of foreign exchange in the municipality. In applying foreign loans, we should uphold the principle of paying back loans by those who have borrowed the loans, and earnestly pay attention to the domestic fund association and the domestic compensatory capability. It is imperative for us to follow the procedure of approval for applying for foreign loans and to control the sum within the fixed quota. No department or unit is allowed to sign a loan contract arbitrarily without approval.

5) Efforts should be made to enhance or improve the work to bring about harmony among macroeconomic management; to vigorously enhance the work undertaken by the comprehensive departments in planning affairs, financial affairs, tax affairs, banking affairs, audit affairs, statistical affairs, material supply, labor wages, and industrial and commercial administration; to establish the joint meeting system among these comprehensive departments; to better bring into play the function of the comprehensive economic administrative departments in bringing about harmony among macroeconomic management; and to fully apply

the measures for economic adjustment and supervision in order to ensure the fulfillment of the plan.

9. Conscientious Efforts Should Be Made To Carry Out This Year's Structural Reform Successfully

This year we should emphasize the following work:

1) We should continue the price and wage reforms.

Last year, substantial progress was achieved in price reform, and the results were better than expected. Although mistakes once appeared soon after the vegetable prices were decontrolled, progress was smooth in general. This year, no major measures for price reform will be put forth. However, the task to maintain basic stability in commodity prices remains very arduous. With regard to some destabilizing factors, we must never take them lightly. The key to controlling the overheated rises in commodity prices lies in stabilizing vegetable prices. The municipal government has made special study and arrangements. Agricultural and commercial departments should exert concerted efforts, further implement the various policies and measures encouraging vegetable fields are not misused, reform the vegetable production and marketing management system, develop straight-line circulation, and strive to reduce vegetable prices while maintaining their stability.

The wage reform of organs and institutions should be continued this year, and the system of designation for specialized and technical posts should also be gradually applied. After the coordinated reform of their wages, enterprises should adopt effective measures to further eliminate egalitarianism, and persistently carry out and improve their economic responsibility system to boost the enthusiasm of their cadres, and staff members and workers. In the meantime, we should conduct investigations on the problem of inordinately large differences between the wages of different members of society, and work out ways to solve this in line with the policies and regulations of the central authorities.

2) We should further invigorate enterprises, especially large and medium-sized ones, and enhance their capacity for transformation and development. We should follow the arrangements of the State Council to reduce in a planned manner the regulatory taxes from the large and medium-sized enterprises with heavy technical transformation tasks and high regulatory tax rates, and gradually raise their fixed asset depreciation rate. We should conduct an overall inspection on the implementation of the "Interim Regulations on Further Expanding the Decisionmaking Power of State Enterprises" issued by the State Council in 1984, and the municipal government's various policies on invigorating enterprises, conscientiously solve the problems existing in expanding the decisionmaking power, and truly delegate to the enterprises the power they are entitled to. We should firmly enforce the various forms of the economic responsibility system of having directors (managers) assume full responsibility and the personal production responsibility system of industrial enterprises, the operational responsibility system of foreign trade departments, the contract and leasing systems of small enterprises and the bidding system, and the method of

signing contracts to fix the amount of wages for every 100 yuan's worth of finished work enforced by construction enterprises, we should conscientiously improve them in line with the state's relevant regulations in order to solve the existing problems. The various forms of responsibility systems applied in the rural areas and other departments should also be carried out persistently and further improved and developed in the course of practice.

3) We should vigorously develop lateral economic cooperation. It is necessary to conscientiously implement the guidelines of the national economic structural reform work conference and the 30 regulations of the State Council on promoting lateral economic cooperation, formulate supplementary regulations and detailed rules for implementation in line with the situation in the municipality, and develop lateral economic cooperation in a planned and purposeful manner. First, we should actively organize lateral economic cooperation between the urban and rural areas and among various trades and departments and organize enterprises and economic associations through transferring the manufacturing of products to other localities, cooperatively developing plants, and establishing ties between the producers and traders and on the basis of voluntary participation, equality, and mutual benefits. Second, we should develop lateral economic ties with neighboring localities and increase the supply of nonstaple foodstuffs in the capital. Third, we should develop lateral economic cooperation with localities with rich natural resources in order to establish stable raw material supply bases for the industry of Beijing Municipality. Fourth, we should display the scientific and technological superiority of the capital, continue to [words indistinct] with various provinces, with various provinces, autonomous regions, and municipalities, and continue to do a good job in supporting their counterparts. Fifth, we should continue to adopt preferential policies, and welcome the fraternal provinces, autonomous regions, and municipal [word indistinct] to Beijing to jointly and independently run this tertiary industry that serves the people's livelihood.

4) We should continue to improve the planning and management system and strengthen management over the mandatory and guidance plans. In line with state demands, local authorities and departments should appropriately reduce the number of mandatory plans. We should properly balance and coordinate the production conditions for the mandatory plans. Enterprises undertaking the allocation tasks of those products subject to the mandatory plans should receive the order of goods in accordance with the plan and organize production according to the required varieties and patterns. Enterprises that cannot fulfill the contracts for ordering goods in line with the state plan will receive relatively fewer material allocations. We should strive to strengthen management over the guidance plan. The comprehensive economic departments should not only strengthen control over the macroeconomy but should also help enterprises vitalize the economy, fully use the economic levers, and lead them in fulfilling their tasks.

Fellow deputies,

The current political and economic situations of our municipality are very good. The scope of investment in fixed assets has been controlled in line with the state plan, and the growth rate of consumption funds has become

normal. Markets are stable, the price index declines monthly, and foreign export trade has witnessed an upward trend, showing a fairly large increase over the same period of last year. The agricultural production situation is good, production of nonstaple foodstuffs continues to grow, and the development of township enterprises is quite rapid. Financial revenue and expenditure as well as bank loans and credits are normal. Urban and rural savings deposits have increased by a large margin, and the withdrawal of currency has exceeded that of the corresponding period of last year. Through adopting effective measures, industrial production has increased steadily. Although we still have many difficulties lying ahead of us and some problems which we must conscientiously overcome and solve, we are convinced that so long as the people throughout the municipality work in the unity under the encouragement of the guidelines of the Fourth Session of the Sixth NPC, persist in reform, and work diligently and in a down-to-earth manner, we will surely fulfill or overfulfill various tasks set forth in the draft plan for 1986 economic and social development, and make a good beginning for the implementation of the Seventh 5-Year Plan.

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PROVINCIAL AFFAIRS

JIANGXI'S WAN SHAOFEN ANALYZES ECONOMIC SITUATION

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[Excerpts] The provincial party committee held a meeting of prefectural and city party secretaries and commissioners and mayors from 12 to 17 to analyze Jiangxi's political and economic situation since the beginning of this year and make arrangements for future work. All localities were called upon to pay closer attention to the economic work and reform, build up leading bodies ideologically and organizationally with an aim to improving party style, and exert maximum efforts and devotion to score greater successes in the work of all fields this year.

Attending the meeting were prefectural and city party secretaries and commissioners and mayors, responsible comrades of the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress, the provincial government, the CPPCC provincial committee, and members of the CPC Central Committee, the Central Advisory Commission, and the Central Discipline Inspection Commission in Nanchang, as well as officials from provincial departments, commissions, offices, and bureaus concerned. In all some 140 people attended.

The meeting transmitted the central authorities' relevant documents and Comrade Hu Yaobang's recent important speeches. On the basis of studying these documents and speeches, responsible comrades from all prefectures and cities discussed views, measures, and suggestion related to the meeting's subjects.

Deputy secretary of the provincial party committee Liu Fangren, deputy secretary and Governor Ni Xiance, and deputy secretary Xu Qin respectively spoke on party building, the economic work, and rural work. Secretary of the provincial Discipline Inspection Commission Zhu Zhihong and vice governor (Sun Xianye) spoke on the strengthening of discipline inspection work and on circulation and the investment scale on capital construction respectively. Comrades Bai Dongcai, member of the Central Advisory Commission, and Zhao Zengyi, chairman of the provincial Advisory Commission, also spoke.

On behalf of the provincial CPC Standing Committee, Secretary Wan Shaofen gave a summary on the afternoon of 17 May. Analyzing the economic situation, Comrade Wan Shaofen noted that Jiangxi's economic situation in the past 4 months or so has been good. Industrial production has advanced at a relatively

fast pace with a total output value topping the same period last year by 9.6 percent and ranking third among all provinces, municipalities, and autonomous regions in the country. The situation in agriculture has also been good, with all localities paying greater attention to grain production, building more irrigation works, appropriating more funds for agriculture, making earlier preparations for spring farming, planting larger areas of crops with fine seeds and strains, and exerting greater efforts at diversified management than last year. However, pressing problems that merit our keen attention remain. In industry, we see, first of all, a sluggish trend in the growth rate and, second, a decline in economic efficiency, inconsistent product quality, and a slowdown in the circulation of funds. In agriculture, problems are reflected in clogged circulation and poor service before, during, and after production. Besides, we have also failed to make adequate preparations ideologically and in materials regarding possible natural disasters this year. These problems have been caused by relaxing vigilance in our subjective thinking and objective factors such as shortages in electrical power supply, raw and semifinished materials, and funds.

After analyzing the economic situation, Comrade Wan Shaofen emphatically pointed out: As this year is the first year of the Seventh 5-Year Plan, we face an arduous task in the next 7 months or so. In the first 4 months, we have only fulfilled 27.3 percent of the targeted annual industrial output value, and are lagging quite behind the plan. We must face up to this grim reality, and motivate ourselves to reform persistently with one heart and one mind and to maximum efforts to overcome difficulties in order to pick up the growth rate in May and achieve a big increase in June to ensure the midpoint plan fulfillment and the complete fulfillment and overfulfillment of the annual plan.

In order to carry out the task, Wan Shaofen put forth the following four requirements for industry:

First, all localities, departments, and enterprises should realistically analyze the current production situation and take active and effective countermeasures by intensifying ideological and political work among enterprise cadres and workers, earnestly implementing the economic responsibility system, tapping potentials, and closely coordinating with power, banking, material, and railway departments in alleviating the current widespread strains on transportation and shortages of power supply, circulating funds, and raw and semifinished materials.

Second, it is necessary to successfully carry out reform and improve management in order to invigorate the enterprises.

Third, it is necessary to energetically promote lateral economic ties and absorb talented personnel, technology, funds, and equipment for exploiting Jiangxi's rich natural resources and transforming natural advantages into economic ones.

Fourth, it is necessary to firmly control the scale of investment on fixed assets and ensure the construction of key projects.

Turning to agriculture, Wan Shaofen said: In developing Jiangxi's rural economy, it is necessary to readjust the structure of agricultural production and promote commodity production. While sparing no effort at grain production, it is necessary to promote the rural economy as a whole by exploiting our mountain, river, farm, and mining resources and developing diversified undertakings and village and township enterprises. We should strive to build up our strength in these two fields to ensure a big increase in committees in rural areas and enable the peasants to become better off as quickly as possible. We should also unclog circulation, improve service, enforce contracts on grain purchases, and resolve the existing difficulty in selling hogs and possible problems in selling grains. It is necessary to set up and improve various kinds of service systems for peasants in rural areas.

The second part of Wan Shaofen's speech dealt with the necessity of improving leading bodies. She said: As all quarters throughout the province have paid keen attention to the question of party style, a new situation characterized by all party members endeavoring to improve party style has emerged. We have investigated and handled a number of major and serious cases, thereby enhancing the confidence of cadres and ordinary people in rectifying party style. Through the efforts by all people from the top down to the grass roots, we have basically checked or considerably weakened the unhealthy tendencies of giving extravagant dinners, party and government organs and leading cadres and their children setting up businesses, party members and cadres building houses in violation of discipline, and purchasing or trading expensive cars. There are specific examples of a marked improvement in party style in Jiangxi. The party style of leading bodies at all levels has also been further improved. Of course, problems and difficulties remain. First, the progress has been uneven. Some units with obvious problems have not yet taken action. Second, manifestations of unhealthy tendencies politically and ideologically and in work have not been thoroughly eliminated. We must concentrate our efforts for the next 2 years in earnestly rectifying the party style of leading bodies at and above the county level in accordance with the central authorities' instruction. Leading cadres at all levels should play an exemplary role in teaching their children, relatives, and subordinates.

The third part of Wan Shaofen's speech set specific demands regarding the ideological and political work among talented personnel and implementation of the policy toward intellectuals for consolidating and developing the political stability and unity, the political and judicial work, rural party rectification, production and traffic safety, arrangements for retired veteran cadres, and the study of development strategy, overall plans, and policy decisions.

Wan Shaofen said: The meeting was successful. It is hoped that through the meeting, we will foster healthy practices of assessing things as they are, doing more practical things, seeking concrete results, and stressing actual conditions, and, under the leadership of the CPC Central Committee, pool the wisdom and efforts of all, work with one heart and one mind, enhance unity, and endeavor to score greater successes in the work of all fields and fulfill the targets for this year.

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ECONOMIC DEVELOPMENT ZONES

ISSUES CONCERNING GUANGZHOU'S COOPERATION WITH FOREIGNERS

Guangzhou GUANGZHOU YANJIU (GUANGZHOU STUDIES) in Chinese No 5 Sep-Oct 85 pp 35-37

[Article by Yang Qinquan [2799 293 3123] and Jiang Zhiyuan [3068 0037 3293], Propaganda Department of the Guangzhou Municipal Party Committee: "Some Reflections on the Results of Foreign Economic Cooperation at Guangzhou and on Certain Tactics"]

[Excerpts] Opening up the country to the outside world is China's fundamental policy in the new historical period, in the course of which the question of how to use the form of state capitalism to promote a socialist construction poses undoubtedly a new theoretical problem. A thorough study of this problem will provide the necessary theoretical reference for all parts of the country in their further expansion of opening up to the outside world. The present article attempts to present some humble opinions with regard to the results of foreign economic cooperation at Guangzhou and on some relevant questions of strategy.

II.

In the actual practice of opening up toward the outside world, Guangzhou has been one of the most rapidly progressing cities of the entire country. From the end of 1978 to September 1984, Guangzhou signed 209 joint venture, cooperative ventures, and compensation trade agreements, involving investments totalling U.S.\$610 million, of which \$220 million of foreign capital have by now actually been used. The cooperative enterprises involved total close to 200. Using foreign capital and self-retained foreign exchange, Guangzhou imported more than 100 production lines, almost 10,000 sets of advanced equipment and a number of advanced technologies. The results of using the form of state capitalism in this manner in order to promote the economic and social development of Guangzhou have become evident in the following respects:

1. The acceleration of technological transformation and technological progress in enterprises which enabled them to attain the international technological standards of the late 1970's and the early 1980's in the production technology of certain products. Examples are such electronic products as minicomputers, microcomputers, electronic calculators, and electronic meters; such electric household appliances as washing machines, refrigerators, electric cookers,

tape recorders, and window air conditioning units; such foodstuffs as beverages in soft containers and fast-food noodles; such knitwear, textile, and plastic products as indigo fast-color woollen cloth, georgette, polyurethane synthetic leather, plastic floor covering, etc. These products fill gaps that existed in national and provincial production, most of them developing into new hot-selling products or top-rating products of Guangzhou.

2. The promotion of tourism. Since opening up in 1979, Guangzhou has used foreign capital to the amount of over \$100 million for the construction of new hotels and for the renovation and reconstruction of existing hotels and some restaurants, among the larger ones being the White Swan Hotel, the Great China Hotel and the Park Hotel. For all these newly built or renovated hotels, the most advanced foreign equipment has been imported, some even installing computerized management, with the result that the hotels and restaurants have attained modern international standards, an important factor in attracting large numbers of foreign travelers and in the development of tourism.

3. The increase in commercial installations. By using foreign investments and self-retained foreign exchange, Guangzhou imported sets of advanced equipment and many technologies and built or renovated a number of stores and markets. The Haizhu and several other markets installed refrigerated shelves; more than ten commercial enterprises, among them the Nanfang Mansions, the Friendship Store, the Foreign Ships Supply Co. and the Huaxia Co., installed central air conditioning; among other items that were imported were such articles as computerized eye examination and eyeglass fitting equipment, contact lens fitting equipment, colored photo and developing equipment, and an automatic production line for bean curd, opening up new fields of service and consumption.

4. The promotion of agriculture and animal breeding. The importation of improved specimens of chicken, cattle, pigs and fish, and the simultaneous importation of several types of advanced feeding and animal raising equipment, induced a tendency toward modern mass production among the traditional animal husbandry establishments, and the percentage of marketable products markedly increased.

5. The promotion of new housing constructions. Up to the end of last year, 15 contracts were signed, involving foreign investments of \$170 million, for the construction of apartment houses, of which 150,000 sq m have already been completed and taken in use. One part of the new apartments was allocated to foreign businessmen who sold them in Hong Kong, thereby recovering their investments and earning a profit. We on our part gained the following four benefits: (1) The apartments allocated to us were distributed to residents of Guangzhou, which helped to improve living conditions for a part of the population. (2) The state gained additional foreign exchange revenue; the completion of the entire cooperative engineering project can create \$23 million. (3) Municipal installations in connection with the apartment houses, such as water and electric power supply, telecommunications, roads, etc. were correspondingly improved. (4) Auxiliary services for the livelihood of the people in the residential areas were newly started up, thereby providing additional employment opportunities.

6. The improvement of educational and health care conditions and in the promotion of scientific and technological research. Following the implementation of the open door policy, overseas Chinese and compatriots in Hong Kong and Macao collected and contributed a total of more than 28 million RMB for the extension or new construction of more than 80 schools. Some contributed funds for the construction of hospitals or the purchase of medical equipment. Some schools now use imported educational equipment for "electrified" instructions. Some hospitals use peritoneoscopes, automated instruments for hemopneumonic analyses, and other advanced medical equipment.

Moreover, owing to the open door policy, an additional 70,000 persons found employment. Many were able to acquire enterprise management skills from the experiences that had been gathered in foreign countries, and a large number of talents could be trained for foreign economic work.

III.

State capitalism under the conditions of the dictatorship of the proletariat is a form of capitalism that allows the state to impose restraints and regulate all activities. Use of foreign capital and importing technologies appears outwardly to be merely a barter of goods against goods, but actually it is also an exchange of persons with persons, and is, therefore, of important significance for a careful and effective handling of personnel. "Policy and tactics are the life of the party," and our policy of opening up the country has already been proven correct in actual practice. But as far as tactics are concerned many specific problems still exist in the course of our cooperation with foreign parties. As one of the earliest cities to practice the open door policy, Guangzhou has gained much insight in this respect, and this includes experiences and also lessons. In summary there are three relationships that must be effectively dealt with:

First, it is necessary to persist justly and forcefully on launching the normal "party, labor union and youth league" activities within the Chinese-foreign cooperative organizations, and to strive for understanding, support and sincere cooperation on the part of the foreign personnel. Personnel of foreign investors as a rule harbor some misgivings regarding such organizations as labor unions, and are even more apprehensive in this respect when they come to socialist China. The foreign personnel of some foreign cooperative enterprises in Guangzhou are afraid that our labor unions will start "labor trouble;" they also distrust our party members, while some party members, when completing the required forms, do not dare reveal their own political standing. However, turning our party from a party in power into an "underground party" will, on the contrary, make matters look mysterious in the eyes of the foreign personnel and easily lead to unnecessary misunderstandings. It will also impede our party members in playing their role of pioneers and models among the masses. In the opposite case, if proper propaganda will clearly explain to the foreigners the tasks and the role of the party within the cooperative enterprises, this will gradually resolve all their unnecessary apprehensions and will help create an overall situation of cheerful cooperation. For instance, there was one cooperative management enterprise where the Chinese personnel intended to use some work time to hold a party and youth league meeting to study more effective ways of working.

After explaining in advance the content and purpose of the meeting to the person in charge on the foreign side and obtaining his understanding and support, it was possible to have all personnel concerned from the various departments punctually attend the meeting. The responsible person on the foreign side cheerfully said: "I too would like to join you, but, unfortunately, I am not a party member." On the day of the meeting it happened that one party member of a certain department had his day off. The foreign manager of that department, however, specially sent someone to the said party member's home to notify him and have him come back to attend the meeting. As "all one's cards were laid on the table," the foreign personnel gained an increased understanding of our party's organization, and all problems could generally be dealt with on the basis of a friendly cooperative attitude. For instance, when the labor union was established, the attitude of the foreigners changed from one of suspicion and fear to one of support, and there was not only willingness to provide office space, also to install two air conditioners and two telephones, but also agreement forthcoming to have the labor union employ four special cadres and to allocate every month 2 percent of the actual amount of all wages for union operating expenses, so that the preparatory work for the establishment of the labor union could be smoothly carried out.

Second, it is necessary on the one hand to nurture a sense of devotion to the cooperative organization among its Chinese personnel, but on the other hand also necessary to have the Chinese workers maintain their class self-respect. Some of the Chinese personnel have the idea that the profits of the capitalists are derived from an exploitation of the workers, that working in a cooperative enterprise is working for the boss, some individuals even come to work singing "da gong zhai" [the worker], a popular Hong Kong ditty. Others even willfully waste or misappropriate enterprise material, considering it as "after all belonging to a capitalist, so that wasting a little or taking a little of it will not matter." Because of the incorrect guiding ideology, many enterprises continuously experience cases of our personnel acting nefariously by violating discipline and regulations, to the great dissatisfaction of the foreign parties. To cope with this situation, it is extremely necessary to strengthen education of our personnel regarding the true situation and regarding our policy. One big difference of the cooperative enterprises as compared with enterprises operated on the system of ownership by the whole people or by the collective is that both sides share in the profits. To be able to import foreign capital, we must of course allow the foreign party to earn legitimate profits. Operating in this manner, the foreign party will be able to earn profits and our side will have the use of foreign capital, learn advanced technologies and managerial methods and speed up the four modernizations. Through education many staff and workers came to understand that by being employed in a joint venture enterprise one still is a member of the Chinese working class, that as such one is also master of the country, and that one is also serving the four modernizations. This realization greatly raised their work enthusiasm.

At the same time as devotion to the cooperative enterprise is being nurtured, attention must be paid to strengthen education to counter corrupting influences; one must seize upon the symptoms of such and promptly take preventive measures. The Hong Kong personnel in a certain Chinese-foreign

enterprise used to take some female employees out for merrymaking until late at night. When this became a problem, the party branch at the said enterprise promptly set these female employees right by education and thus helped them raise their consciousness. Paying attention to the creation of strict discipline and a healthy atmosphere in the Chinese-foreign joint enterprises will not only educate our staff and workers to resist corroding influences, but will also influence foreign personnel to change their bad habits and respect discipline and the law. There have been cases of Hong Kong personnel who after joining the cooperative venture gave up gambling and curbed their nighttime activities.

Third, in the same way as it is necessary to ensure the benefits for the foreign party in any cooperation, it is also necessary to protect the rights and interests of the state and the staff and workers. There are some employees in responsible positions on the Chinese side in Chinese-foreign cooperative organizations who owing to their insufficiently enlightened guiding ideologies treat the foreign personnel with the attitude of the state representatives of the joint state-private enterprises of the 1950's, placing the two parties in a position of two antagonistic opposites, which makes it impossible for the foreign party to continue the cooperation. It is therefore necessary to treat all foreign parties most carefully on the principle of equality and mutual benefit, guarantee them the beneficial treatment prescribed in the "Chinese-Foreign Joint Venture Contract Law," however, also to take care not to relinquish one's own principles and to use the joint venture form also as a guarantee for the rights and interests of the state and the staff and workers on the Chinese side. There was, for instance, an assistant manager of the Hong Kong party to a jointly managed enterprise who planned to raise the salary standards for managerial staff of the enterprise to more than 30 times above that of the ordinary staff and workers. The party branch was of the opinion that paying high salaries to managerial staff of the cooperative enterprises would be in order, but not the paying of excessively high salaries, because this would reduce enterprise income and be harmful to the mutual interests of both parties. Later, the assistant manager of the Chinese side took action and persuaded the other side not to do it. Finally, the other party said with deep feeling: It would indeed be a 100 percent failure to completely and mechanically copy the Hong Kong methods of distribution; success can only be achieved by integrating measures with the actual situation in China. An assistant store manager of the said enterprise (belonging to the personnel of the Hong Kong side) once saw one of the employees of our side tell a few jokes on the work floor. The assistant manager immediately grabbed away the said employee's identity card and furthermore threatened to have him discharged. When the party branch heard of it, he felt this was too harsh a treatment, besides, this assistant store manager after all had no authority to take action against staff and workers on the work floor. His action not only exceeded his sphere of authority, but also displayed a certain disrespect for the Chinese side. Finally, the assistant manager of the Chinese side raised serious objections. The chief manager regarded our objections as justified and criticized the way the assistant store manager had acted, also restored the employee in question to his position. When all this was over, the party branch also applied stern criticism and education to the said staff and made him realize his own mistake.

The facts prove that as long as we follow appropriate work tactics and apply correct methods, further improvements will be achieved in our foreign economic cooperation.

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CSO: 4006/380

ECONOMIC DEVELOPMENT ZONES

REPORT EXAMINES NEW PORT CITY DEVELOPING IN JINAN

HK030654 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0313 GMT 2 Jun 86

[Report by ZHONGGUO XINWEN SHE reporter Zhang Liang [1728 0081]: "New Port City on the Coast of the Huang Hai"]

[Text] Jinan, 2 Jun (ZHONGGUO XINWEN SHE)--A new port city is rising on the coast of Huang Hai. Its deep-water coal transport dock of the largest berthing tonnage in China was built during the Sixth 5-Year Plan and is now open to the world. This is the 35th port China has opened to the world.

The Former Jiumizhai Is the Port City Today

Shijiu is located on the coast of Huang Hai 10 km east of Rizhao, Shandong. Driving into Rizhao and turning into the Shijiu port district, we passed one modern building after another--the post and telecommunications buildings, a department store, customs, the commodities examination building, the seamen's club, and a hotel. The local masses say that Rizhao's development is benefitting from the building of Shijiu port. Today Rizhao and Shijiu have merged into one, shaping a port city with characteristics of the north.

According to some local fishermen, the reefs here along the coast are natural mortar-shaped pits dating from the northern Song Dynasty. The fishermen going north and south would dock their boats here and husk their rice in those pits. This is why it is called "Shijiuhai" [stockaded village for rice-husking] under the jurisdiction of Rizhao Town. An office was set up here in the Ming Dynasty to administer the affairs of a thousand households, and was called the "Shijiu office." It gradually became an important passage for merchants and travellers. A passenger and cargo dock of 500-tonnage was built here after the founding of the PRC, with an annual volume of loading and unloading of only 600,000 tons. Despite the fact that the place is marked on China's provincial map as the maritime gate on the southern coast of Shandong, and that Rizhao received the world-famous physicist, Dr Ting Shao-chung, who made a special trip there to pay tribute to his ancestors, it has not caught the attention of the world because of its inaccessibility.

In the course of China's modernization today, Shijiu port has been pushed to the forefront. The Chinese Government found this site ideal for a

deep-water port in north China 6 years ago, and decided to build another large modernized dock for coal transport with huge investment following the second-phase of construction of the Qinhuangdao port coal transport dock. In less than 3 years, a coal transport dock of China's own design and construction has emerged in the former Kiumizhao.

Two Things of "The Superlative Degree in China"

Here we can find two things of "the superlative degree in China." The steel-stack bridge with a span of 1,144 meters soaring over the dark blue sea like a rainbow is the longest of its kind in China today. At one end of the bridge are two berths, each of 100,000 tonnage. It is the largest coal transport dock with the greatest berthing tonnage in China at present. Two imported gigantic coal loaders stand capable of filling up a boat with a tonnage of 100,000 within 18 hours. At present the annual loading capacity is 15 million tons of coal.

When the Yanzhou-Shijiu railway is connected, which will form a complete link with Shijiu port, the train will run from Yanzhou through Hezhe, Xinxiang, Jiaozhuo, and Houma, ending in Xian. This will form another east-west artery horizontal to the Lianyungang-Lanzhou railway. Shijiu has become another seaport for Shandong, Henan, Shanxi, and the great northwest.

Its Importance Will Be Felt in Another Decade

In recent years, Hu Yaobang, Zhao Ziyang, Li Peng, and Wan Li have on separate occasions made inspection tours of this port. The Shandong Provincial Government has set up the Shijiu Port Economic Development Zone here and is determined to absorb foreign investment, to import advanced technology, and to further the economic development of the hinterland. Officials of the Shijiu Port Construction Headquarters told us that another seven berths of 10,000-tonnage to be built during the Seventh 5-Year Plan are included in their plan. Two berths for imported timber will get under way within this year. Another berth for the loading and unloading of sundry goods will be completed and put into use in the near future. Not long ago, Wang Guang-ying, director of the board of Everbright Industrial Corporation, and Metallurgy Minister Qi Yuanjing personally arrived at Shijiu to make preparations for the building of a large iron and steel works. To work in coordination with the first-stage project of the works, which has a capacity of producing 3 million tons of steel, construction will begin on a berth for mineral ores of 150,000-tonnage during the Seventh 5-Year Plan. A thermal power station with a capacity above 1.2 million kw is under preparation for its first stage of construction.

Premier Zhao Ziyang is quite interested in the development of the tourist resources here. North of the port district lies a stretch of golden sand beach 20 km in length. Wapingkou and Diaoyutai, the two lagoons, are rare natural summer resorts where the waters are clear and tranquil. Sishan, with its many hills and peaks rising one higher than another, as well as

the miles of forest belt along the beach of Dashawa, are wonderful scenic spots for touring and recuperation.

The good climate and geographical advantages of Shijiu port will help it gradually develop into a comprehensive modern port with a volume of loading and unloading of millions of tons. The local inhabitants tell visitors with pride: "Shijiu's importance will be felt in another decade."

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CSO: 4006/1101

8 July 1986

ECONOMIC PLANNING

WUHAN'S ECONOMIC PLANS FOR 1986 REVEALED

Wuhan CHANGJIANG RIBAO in Chinese 2 Jan 86 p 2

[Article by Feng Chuanyue [7458 1413 6390], director of the Wuhan City Economic Commission: "Adhere to Reform, Advance Energetically, Struggle To Complete the Seventh 5-Year Plan; Consolidate and Develop the Fruits of the Reform, Work Hard To Stimulate the Industrial Economy"]

[Text] In the past year the vast ranks of workers and cadres in Wuhan's industrial front have, during the course of the "opening of the three towns" and intense competition on the market which have involved great change in the objective conditions of industrial production, enthusiastically adhered to reform and made pioneering advances. It is estimated that the city's gross industrial output for 1985 will increase 13.6 percent over the year before; profits and tax revenue will increase 26 percent and financial revenue will increase 27 percent, thus achieving the goals of the "four increases and three equal steps." This demonstrates that Wuhan's industrial economy has begun to free itself of traditional views and rigid models and has entered onto the right track.

The year 1986 was the first of the Seventh 5-Year Plan of the national economy. Industries throughout the city have shouldered a tremendous burden and are faced with a rigorous challenge. The guiding ideology for the new year for Wuhan's industrial economy is: emphasize products and quality, build a foundation and increase actual strength. We must regard product development as an important strategic policy, stress improving product quality and reducing consumption and the "three reforms and one transformation." This means we must conduct the reform in-depth, accelerate the pace of technological reform, and enterprise reorganization and integration, and promote the modernization of enterprise management. We must concentrate our efforts, allow the masses to make decisions, truly get a handle on high-quality, new variety products that bring in good returns, consume few natural resources that can bring in much foreign exchange, and that meet advanced domestic and international standards. We must also improve our ability to compete, to effect inland development, to absorb (foreign technology, capital), and to promote the enhancement of the level of all industries as well as augment urban economic strength. To accomplish this we must:

1. Persevere in enlivening enterprises, especially the large- and medium-sized, central enterprises, deepen and complete internal enterprise reform, and energetically create a good external environment for enterprises. In the reform, we must adhere to both forms of civilization, conscientiously strengthen ideological and political work, ceaselessly improve the political quality of cadres and workers and arouse the enthusiasm of the vast ranks of the workers for socialism.

2. We must create good business strategies for enterprises, the core of which is improving products. This requires making good business-related policy decisions based on the needs of the development of the national economy and domestic and international market conditions, and setting strategic objectives regarding the quality level of enterprise products, actively adjusting the product mix, and making great efforts to improve quality, develop different varieties, and reducing consumption in manufacture. After a few years of work, the first step will be to enable the city's major products to catch up to the advanced national level for the same type of product. The second step will be to enable many products to reach international levels of the late 1970's and early 1980's, and to manufacture some products that will approach international levels of the time, so that the quality of the entire city's industry can be enhanced greatly.

3. We must improve enterprise business management. We must meet the needs involved in a planned commodity economy, and, revolving around the center of business management, understand concepts relating to the market, competition, and open door-type management in order to implement organic management over communications, scientific research, production and the market, and strive to reform internal enterprise management systems. We must implement output related systems of responsibility, as well as management, administration, and accounting on different levels, taking the greatest advantage of enterprise internal strong points and potential so that communications are rapid, decisions are accurate, leadership is effective, returns are high, and enterprise ability to adapt to change, to take on responsibilities, to compete and to make profits are enhanced.

4. The development of horizontal economic alliances. Proceeding from the creation of an open door, networking economy, the development of the role of central cities, and the formation of highly integrated economic strength, we must strive to develop diversified horizontal economic and technological relations among urban enterprises, factories, and units of scientific research, and between city and countryside, develop enterprise clusters composed primarily of dominant products and enterprises and integrate together readjustment, the forming of associations, consolidation, and technical innovation. We must unite to develop new products, techniques, industries, bases (for raw materials and product manufacture), and international and domestic markets.

We have to work together to improve our ability to absorb and make Chinese imported technologies and equipment to gradually create a socialized, specialized large-scale industrial structure in which "large and small enterprises

work in close association, the city and countryside are developed in a coordinated fashion, and interlocking relationships are established between city and countryside and province and city" in order to promote the rationalization of enterprise organization structure, product mix, professional trade and industrial structure and to increase the economic returns of the entire society.

12221/9365

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AGGREGATE ECONOMIC DATA

TABLE OF PROJECTED DEMAND FOR CERTAIN COMMODITIES IN 1986

Fuzhou FUJIAN RIBAO in Chinese 20 Dec 85 p 2

[Table provided by the JINGJI RIBAO [ECONOMIC DAILY NEWS]: "Projected Demand for Agricultural Food Products, Clothing, Durable Consumer Goods in 1986"]

[Table] Projected Demand for Agricultural Food Products, Clothing, and Durable Consumer Goods in 1986

Commodity	Unit	1985 demand	1986 demand	Difference between 1985 and 1986 (percent)
Average per capita demand				
Food and candy	jin	3.4	3.9	14.7
Cigarettes	carton	32.3	35.2	9.0
including: middle- and high- grade tobacco	"	8.1	9.3	14.8
Bottled spirits	jin	3.2	3.7	15.6
Beer	"	1.2	1.5	25
Cakes and cookies	"	2.5	2.9	16
Candy	"	1.2	1.5	25
Milk products	"	0.2	0.3	50
Canned goods	can	0.8	1.0	25
Fruit	jin	5.9	7.1	20.3
Average demand per 100 persons				
Cotton clothing	each	77	78	1.3
Chemical fiber clothing	"	110	123	11.8
Woolen clothing	"	13	15	15.4
Silk and satin clothing	"	4	4	0
Acrylic fiber clothing	"	40	45	12.5
Down clothing (made from feathers)	"	1	2	100
Leather clothing	"	2	2	0
Knitted sweaters and pants	"	19	21	10.5
Leather shoes	pair	18	20	11.1
Silk, satin, cotton quilt covers	each	11	13	18.2

[continued]

[continuation of table]

Commodity	Unit	1985 demand	1986 demand	Difference between 1985 and 1986 (percent)
Average demand per 100 households				
Bicycles	each	17.9	26.8	49.7
including: name brands	"	12.0	14.3	19.2
Sewing machines	"	8.3	11.8	42.2
including: name brands	"	5.4	7.3	35.2
Watches	"	24.7	27.4	10.9
including: mechanical watches	"	18.1	19.9	9.9
Cameras	"	0.2	0.6	200
Electric fans	"	5.9	6.3	6.8
Washing machines	"	2.0	3.6	80
Refrigerators	"	0.1	0.6	500
Radios	"	9.4	9.3	-1.1
Televisions	"	6.3	12.3	95.2
including: color televisions	"	1.2	2.6	116.7
Tape recorders	"	3.4	7.0	105.9
Motorcycles	"	0.2	0.8	300

12221/9365

CSO: 4006/703

AGGREGATE ECONOMIC DATA

HEBEI'S ECONOMIC SITUATION FOR 1985 SUMMARIZED

Shijiazhuang HEBEI RIBAO in Chinese 4 Jan 86 p 2

[Article provided by the Hebei Province Bureau of Statistics: "A Summary of the Situation in the National Economy of the Entire Province in 1985"]

[Text] With the stimulus of the overall economic reform, there was good, comprehensive economic development in Hebei in 1985. Gross social production output, GVIAO and Hebei's share of the national income all grew more than 10 percent over 1984, and major economic norms of the annual plan may all be met.

The Flourishing Development of the Agricultural Economy During the Course of the Readjustment of the Industrial Structure

In 1985, the second stage of the reform was begun throughout the rural areas of the province and a fairly large readjustment of the industrial structure was initiated. In the cultivation mix, cotton acreage was reduced 2.91 million mu while acreage for oil-bearing crops was increased 3.46 million mu. A stable increase in grain production was maintained, with total output reaching 36.5 billion jin, a record high increase of 1.1 billion jin over 1984. Total cotton output may reach 1.4 billion jin, a decrease of 600,000 million jin compared to 1984. Total output for oil-bearing crops attained the figure of 1.5 billion jin for a recordbreaking increase of 300 million jin. Total output for sugar beets, flue-cured tobacco, jute, bluish dogbane, and dried and salted fruit all showed differing degrees of growth. Annual GVAO may reach 20 billion yuan, a 7.2-percent increase over 1984.

Industrial Production Shifted From an Overly Rapid Rate of Development to One of Basic Normality

The growth rate for industrial production in 1985 was quite rapid, but economic returns did not increase accordingly. A gradual decrease in the growth rate for returns appeared beginning in July. The gross annual industrial growth rate was approximately 33 billion yuan, an increase of more than 13 percent over 1984.

The following characteristics were seen in 1985 for industrial production:
1) Light industry developed more rapidly than heavy industry. Output value for light industry increased approximately 15.9 percent compared to 1984,

while heavy industry grew 11.7 percent; 2) production of energy and raw materials grew steadily. Production of pig iron, steel, finished steel products, raw coal, and electricity increased 5 to 10 percent over 1984; 3) production of goods needed to support agriculture showed a tendency to fall; 4) economic returns have been somewhat increased. Total output value for industrial enterprises within local budgets for the first 10 months of the year grew 10.5 percent compared to the same period the year before, while revenue from product sales increased 16 percent, for a 14.1-percent increase in profit and tax revenue. Profit handed over to the state according to fixed specifications increased 7.2 percent.

Scope of Investment in Capital Construction Controlled

By the end of August 1985, 273 local capital construction projects were eliminated throughout the province and investment was cut by 110 million yuan. In 1985, approximately 3 billion yuan of capital construction was completed by state-run units for an increase of 9.6 percent over 1984. About 1.6 billion yuan was invested in renewal and renovation measures, for an increase of 7.8 percent compared to 1984.

The state arranged for Hebei's six focal construction projects fairly rapidly, basically completing the requirements of the plan. Accumulated investment for the first 10 months of the year represented a 90.5 percent completion of the annual plan, which was greater than the degree of completion required in the assessment of the plan for the entire province regarding capital construction investment.

Lively Rural and Urban Markets; Further Expansion of Foreign Trade

Hebei's retail markets in 1985 were quite lively. With the exception of some durable consumer goods in short supply, there was an abundance of commodities. Total retail sales value for the year may reach 19 billion yuan, a 13-percent increase over 1984.

Foreign trade was further expanded. Total value of commodities exported in 1985 for the province increased approximately 67 percent over 1984. Projects involving foreign capital and technology continued to show flourishing growth. Total monetary value for contracted projects involving foreign capital increased 16-fold until September 1984 compared to the prior year.

Increased Financial Revenue and Decreased Expenditures; Amount of Currency in Circulation Stabilized

Financial work in 1985 focused on developments in the reform of commodity prices and wages. Despite factors causing increased expenditures, financial revenues showed a fairly large increase due to the expansion of production and circulation, increased revenues, reduced expenditures, and improved management work in tax collection. Local revenue for the first 10 months of the year in the province overfulfilled, 2 months ahead of time, the Central Committee's readjusted budget by 2.5 percent. It is estimated that local revenue for the year will increase more than 13 percent over 1984. The net

amount of currency put into circulation may be about 15 percent less than in 1984.

The People's Living Standards Continue To Improve

In 1985 the state began a preliminary reform of the wage system and at the same time, loosened price restrictions on meat, eggs, fish and seafood, vegetables, and other nonstaple foods while providing adequate subsidies to urban residents, causing increases of varying degrees in income of urban and rural citizens. It is estimated that the average per capita income for living expenses of urban working families will reach 660 yuan, a 19-percent improvement over 1984, or more than 9 percent after deducting the factor of commodity price. Average per capita pure income for peasants may reach 390 yuan, a 13-percent increase over 1984, or an improvement of approximately 6 percent after deducting the factor of commodity price.

Total wages for staff and workers continues to grow, and have increased approximately 10.6 percent over 1984, while average per capita wages increased 8.1 percent.

It is estimated that, along with the increases in income and the continued improvement in the level of consumption of urban and rural residents, the average per capita growth for all throughout the year will be 15.7-percent higher than in 1984, and that the real increase, after deducting the factor of commodity price, will be 9.2 percent.

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FINANCE AND BANKING

FIRST QUARTER 1986 FINANCIAL STATISTICS SUMMARIZED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 22, 9 Jun 86 p 32

[Text]

Table 1, State Credit Balance

(Unit: billion yuan)

Item	Balance at end of 1st quarter 1986
Itemized deposits	433.880
From enterprises	201.152
From financial institutions	43.083
From governmental organizations	32.689
From cities and towns	116.934
From rural areas	40.022
Liabilities to international financial organs	7.905
Currency in circulation	89.879
Operating funds of state banks	84.812
Carry-over balance in the present year	4.122
Miscellaneous	17.144
TOTAL SOURCE OF FUNDS	637.742
Itemized loans	585.378
To manufacturing enterprises	121.132
To industrial supply and marketing enterprises and materials departments	39.790
For commercial purposes	249.279
For construction enterprises	25.967
For fixed assets	72.276
Industrial and commercial loans to urban collectives and individuals	32.300
Agriculture	44.634
Gold	1.204
Foreign exchange	8.221
Assets with international financial organs	9.142
Financial lending	28.205
Miscellaneous	5.592
TOTAL APPLICATION OF FUNDS	637.742

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 1st quarter 1986
Itemized deposits	75.465
From farm collectives	5.805
From township and town enterprises	5.895
From rural households	61.958
Miscellaneous	1.807
Itemized loans	48.996
To farm collectives	4.050
To township and town enterprises	19.880
To rural households	25.066

Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1986		
Exchange rate:	January	February	March
One SDR--RMB yuan (end of month)	3.5573	3.7078	3.6660
One US dollar--RMB (end of month)	3.2015	3.2079	3.2207
One US dollar--RMB (average)	3.2015	3.2070	3.2120
Gold reserves (million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US\$ billion)	11.146	11.140	10.348
Of this			
Reserves in state treasury	3.013	2.859	2.555
Foreign exchange balance of the			
Bank of China	8.133	8.281	7.793
State foreign debt (US\$ billion)	5.089	5.512	5.870

CSO: 4006/1124

INDUSTRY

FIVE-YEAR RECAP OF INDUSTRIAL BOILER DEVELOPMENT

Shanghai DONGLI GONGCHENG [POWER ENGINEERING] in Chinese No 6, 15 Dec 85
pp 33-40

[Article by Shi Qiangsun [2547 1730 1327]: "The Development of Industrial Boilers in China 1981-1985"]

[Text] I. A Survey of Development

By the end of 1983 the number of industrial boilers nationwide had reached 280,000 with 470,000 steam tons, or, according to another source, there were 250,000 boilers with 530,000 steam tons. They should be more or less in this range. Over 200 million tons of raw coal are consumed annually.

The number of industrial boiler makers in China was readjusted from over 500 in 1981 to 214 in 1984 which were qualified to apply for production permits. After more than 2 years of double checking and spotchecking, production permits will be issued to those plants which meet conditions. In 1983, output of the industry as a whole was about 66,000 steam tons and over 30,000 boilers. Along with the growth of the national economy and improvement in the people's living standard, installed capacity of industrial boilers will continue to expand and it is expected to double by the end of this century. Currently, the main industrial boiler products are divided into eight sub-categories: hand-fired boilers, chain-grate boilers, reciprocating boilers, spreader boilers, fluidized-bed boilers, pulverized coal fired boilers, gas-oil fired boilers, and hot water boilers. There is a total of 77 varieties, of which 17 are chain-grate boilers which have the most. Based on the quantity of evaporation, chain-grate boilers make up more than 60 percent of the total quantity of evaporation.

Before describing the development in recent years, it is necessary to review briefly the development of industrial boilers in China. Since current product development has its own historical background, a brief review will help us understand present circumstances.

Industrial boilers in China began to develop in the early 1950's. During the more than 10 years until the early 1960's, the main products were modeled on foreign ones which are divided into the header and bent-tube types; the American horizontal external fired return fire-tube type; and the Soviet

model K and model DKB. These boilers can still be used. Their main feature is that they all use high-grade coal as the design coal, their tube boilers come in bulk, and those with a capacity under 4 tons per hour are hand-fired. Their heat efficiency is low and automatic control instruments are almost nonexistent. Beginning in the 1960's, as steel materials were in short supply and old designs did not meet current needs, China gradually designed on its own with the guiding ideology of economizing on steel products. Particularly prominent among low capacity products was the development of packaged water and fire tube boilers. This type of boiler is formed by attaching water-cooled walls to external fired horizontal return fire-tube boiler or the HRT model. It was extensively used in the early 1970's because it has a compact construction and is easy to manufacture. Chief among water-tube boilers are the double horizontal chain-grate boilers, but there is also the double vertical barrel model D layout and construction. In the later part of the 1960's, China entered the stage of complete self-designing, and typical boilers with a capacity between 1 and 4 tons per hour are packaged water and fire tube boilers, of which a few are the double vertical barrel type. Boilers with a capacity of 6 tons per hour or higher are the double horizontal barrel type. The design coal is primarily high-grade bituminous type and varieties including anthracite, lean coal, and brown coal are also derived.

After 1970 there was shortage of fuel coal supply, the quality of coal declined and departments using industrial boilers carried out boiler transformation one after another. After they were delivered to the consumers, factory made boilers suitable for using high-grade coal were refitted, resulting in considerable waste. In order to suit current circumstances, after 1976 the industrial boiler industry vigorously developed boilers for burning bony coal. By the end of 1979 a total of 56 standards had been developed, most of which were fluidized-bed boilers but also included the new types of reciprocating and chain-grate boilers. Great results were obtained in the development of gangue fluidized-bed boilers with a combustion calorific value below 2,700 kilocalories per kilogram. In 1980, along with the readjustment of industry, the quality of coal was improved and orders for boilers that burn bony coal became few. The ash extraction density of fluidized-bed boilers is high, the performance of ash extractors in the country is poor and pollution is severe. The fuel coal must be crushed and screened, and environmental and sanitation conditions are very poor. Consequently, many consumers have stopped using fluidized-bed boilers. However, they are still used in coal mines and areas with bony coal, and recently there is a trend toward an increase. Coal mines annually discharge large quantities of gangue, and fluidized-bed boilers are the only boilers that can burn gangue of such low caloric value. Consequently, fluidized-bed boilers still have a considerable market in this area. There remains a great deal of work to be done in complementary auxiliary equipment, particularly in the comprehensive utilization of ash extractors, crushers, and ash. The foregoing is a brief survey of the development of industrial boilers in China prior to 1980.

After 1980, industrial mining enterprises were readjusted and restructured, the quality of coal in coastal cities increased, but due to a nationwide energy shortage and inadequate supply of coal, locally produced low-grade

coal also entered the market. As a result, the quality of coal used by industrial boilers remained not too stable, generally centering on bituminous coal of medium or higher grades. Before 1980 industrial boilers developed products for high-grade and bone coal but lacked products for medium-grade coal, so that after 1980 the industrial boiler industry decided to develop products for medium-grade coal (with a calorific value of 3,700-4,700 kilocalories per kilogram), and conduct joint design under the leadership of the Electrical Engineering Bureau of the Ministry of Machine-Building Industry. The types of boilers adopted can be summarized under the following four categories:

- (1) Two types of hand-fired boilers have been developed for capacities of 0.2 ton per hour and 0.5 ton per hour. One is the open-flame return combustion boiler and the other is the double layer stoker.
- (2) A new packaged inclined barrel boiler system has been developed for capacities of 1 and 2 tons per hour, such as shown in Figure 1.
- (3) A new assembly water tube system has been developed for capacities of 2 and 4 tons per hour. This is the vertical double barrel chain-grate type of boiler, as shown in Figure 2.
- (4) For capacities of 6, 10, and 20 tons per hour, the original horizontal double barrel chain-grate boilers are still used, as shown in Figure 3.

The boiler safety regulations issued by the Ministry of Labor and Personnel in 1980 provided that boilers with a capacity above 1 ton per hour must be mechanically fired. But due to the cost, materials, conditions of use and other objective reasons, those under 1 ton per hour at the present stage of hand-fired boilers still need to go through a period of transition. Two types of boilers, the open-flame return combustion boiler and double layer stoker have been developed based on the society's experience in boiler transformation. Judging from 2 years of actual operation they are still not too ideal and the basic shortcoming remains that they are hand-fired. Open-flame return combustion boilers have already been improved into a draw-plate lifting structure which can be operated and used continuously. Double layer stokers still have some problems in their structural design and method of operation while their efficiency is low.

The second and third types of boilers were developed to deal with the unsafe and easy burning of drum wrapping at the lower section of barrels of water and fire tube types of packaged boilers which are manufactured in relatively large quantities. The efficiency of the second type of packaged barrel boiler system still maintains an efficiency of 76 percent or higher after 1 year in operation. Their output not only assures specified parameters but they also have excess load surplus which are welcome by consumers. The third type of boilers with capacities of 2 and 4 tons per hour are water-tube assembly sets. They are safe and reliable during use, but the work volume of heavy boiler wall installation is large. With the exception of consumers in mountainous and inland areas where transportation is difficult, the general preference is the packaged construction or assembly boiler with

a very high degree of assembly. Small capacity packaged water-tube boilers generally use a vertical double barrel layout. Vertical double barrels can be further divided into two types: one resembles model DKB in mid-barrel, the other has a model D arrangement on one side of the barrel. Judging from the development trend of industrial boilers at home and abroad, double-barrel boilers with convection beam arrangement on one vertical side and a stoker arrangement on the other side are extensively used. The structure can therefore be more compact, serialization is made easy, the barrel can be lengthened at any time with the increase in capacity, and the corresponding increase in the barrel's steam-water dividing section assures the quality of steam. The fourth type is the horizontal double barrel chain-grate boilers. This type of boiler was initially modeled on the model D of Czechoslovakia which had a capacity of 20 tons per hour. Later, China successively designed by itself the two capacities of 6 and 10 tons per hour with double layer layout and heavy boiler walls. The operation of this type of boiler satisfies consumers though metal consumption is high, boiler houses must be tall and investment is big. The present joint design has given consideration to the long period of time it takes to develop new structures for large capacity products. In order to stress developing products using medium-grade coal, matured types of boilers are still being used in order to accelerate progress.

For the appraised heat efficiency of jointly designed products that use medium-grade coal, with the exception of hand-fired boilers which is between 62 and 65 percent, all other products are 76 percent or higher. Results of retesting packaged inclined barrel boilers with capacities of 1 and 2 tons per hour after 1 year in operation show that they still maintain an efficiency of 76 percent or higher.

In the period between 1980 and 1984, many manufacturers developed quite a few of their own new products besides those that are jointly designed. In 1984 alone 29 varieties of new products were appraised. Judging from these new products the following features can be seen: 1) the variety of water-tube boilers with small capacities between 2 to 4 tons per hour has increased, among which are the packaged and assembly types. Moreover, water-tube single layer layout and construction with a capacity of 6 tons per hour has been developed. 2) The variety of reciprocating boilers has increased. Because of the ease of manufacturing, low dust content in smoke, suitability of fuel coal, capacity has been developed from 0.5 to per hour to 10 tons per hour. Two types of reciprocating stokers are currently being manufactured, the stepped and horizontal types. 3) The variety of hot water boilers has increased. 4) With the increase in the variety of medium-grade coal, their heat efficiency is generally higher than older products. 5) Most of the products are complemented with control boxes, basically implementing the Ministry of Machine-Building Industry's 1980 documents on provisions concerning complementary equipment.

With the exception of steam boilers, five standards of joint design have been made for hot water boilers. Specifically they are as follows:

- (1) RSL 250 pressure 7 kgf/cm², temperature of water discharged 95°C
- (2) DZL 360 pressure 13 kgf/cm², temperature of water discharged 130°C
- (3) RZL 600 pressure 7 kgf/cm², temperature of water discharged 110°C
- (4) DZL 600 pressure 10 kgf/cm², temperature of water discharged 130°C
- (5) DHL 1200 pressure 13 kgf/cm², temperature of water discharged 130°C

Apart from the five types of products mentioned above, quite a few new products have been developed by various manufacturers in recent years. At present, there are various types of hot water boilers with capacities of 600,000, 1.2 million, 2.4 million, 3.6 million, 4 million, 6 million, 9 million, and 12 million kilocalories per hour.

In order to conserve energy, in the future we still need to vigorously develop hot water boilers and gradually replace steam with hot water concentration for the supply of heat. Therefore, other than perfecting existing small capacity hot water boilers, we should also develop those with 25 million to 50 million kilocalories per hour and even bigger coal-burning hot water boilers in order to initiate conditions for making overall plans to construct large integrated thermal network.

In view of the improvement of industrial boiler products in recent years in terms of variety, quality, and standards, the following aspects can be summarized:

1. Leaders of the ministry and bureau have stressed the work on standards and quality. Since 1980 they have strongly stressed the work on standards, convened a series of work conferences on industry standardization and have vigorously promoted the adoption of international standards. Currently there are over 30 state and ministerial standards in China's industrial boiler industry. The various standards on design, manufacturing, installation, thermal engineering tests, complete auxiliary machinery, operation, and maintenance are basically complete. The substance of these standards are basically similar to those in industrially developed countries. The work on issuing permits jointly carried out by the Ministry of Labor and Personnel and Ministry of Machine-Building Industry has played a significant role in the improvement of the quality of products of manufacturers.

2. Various departments in concern stress the work of scientific research and technical development of industrial boilers. The State Economic Commission, State Science and Technology Commission, State Supplies Bureau Ministry of Machine-Building Industry, colleges and universities, manufacturers, consumers, research institutes, as well as concerned departments in charge of energy conservation at the provincial and municipal levels all actively support S&T development of industrial boilers. At the 1982 annual meeting of the Society of Power Engineering, quite a few number of essays described the work in this area. Here we summarize scientific research and development in the last 2 to 3 years as follows:

- (1) Research and testing of chain-grate stokers have primarily focused on the three areas of airtight sealing, air mixing, and stoker construction.

Airtight sealing and air mixing are the key to increasing stoker combustion efficiency. During 1983-1984, plants and institutes concerned launched tests and research on vertical air mixing and airtight sealing in small chain-grate stokers, developed new airtight sealing boards, carried out a large number of cold-state tests, and performed thermal engineering determination of comparative tests on heat efficiency before and after refitting. Boiler efficiency was raised by 2 to 3 percent. The achievements of these tests will be popularized once they are appraised. In recent years a type of large stoker has been developed and are being used in joint design. After more than a year of operation and testing, they have been able to meet the requirements of use. They are characterized by their higher intensity than the original small stokers, low metal consumption, and a low leakage of coal. The problem is that sometimes their air vents can easily become blocked up. To deal with this shortcoming, the Guizhou Boiler Works developed an improved construction which is currently being tested. Chain-grate stokers are the most extensively used stokers in China. Their performance has a significant impact on the results of energy conservation of industrial boilers. The efficiency of new jointly-designed products with capacities of 1 to 2 tons per hour is higher than that of the old products largely because of improvement in stoker construction. In view of the quality of chain-grate stokers which are currently mass produced in China, both vertical and lateral airtight sealing have a serious air leak problem which results in difficulty to regulate combustion. It can be seen from large numbers of thermal engineering test reports that the excess air coefficient is around 1.8 to 2. Outside China, this excess air coefficient of chain-grate boilers is controlled at around 1.5. This requires a long period of study, and in order to assure safe and reliable operation in thermal state without jamming dead and jamming while maintaining the lowest tolerance clearance, it is necessary that the four areas of design, technology, testing, and inspection are closely coordinated. We must continuously improve construction and gradually perfect it. Similarly, apart from the problem of airtight sealing, reciprocating stokers still have the problem of stokers burning out. At present, it appears that this problem needs to be tackled by the quality of materials. Manufacturers in concern have undertaken to study this problem which is expected to complete this year. In short, manufacturers, research institutes, colleges and universities have done a great deal of work on layered combustion stokers in recent years and have promoted the improvement of products. However, we can only say that this is just the beginning, initial results are barely in sight and a large deal of work remains to be done before they are truly reflected in specific products.

(2) In 1981, Chongqing University and Chongqing Boiler Works launched tests and research on the application of threaded pipes in coal-fired smoke tube industrial boilers. They studied Reynolds numbers between 6,000 to 30,000 hours, the flow and heat transmission character of air in a single-head threaded pipes, and performed industrial comparison tests on a KZL4-13-A II boiler. After 3,000 hours of continuous operation and observation, the inside wall did not show any noticeable wear and tear. Ash accumulation was not as serious as that in light pipes. Appraisal was made at the end of 1983 and it was affirmed that after using the threaded pipes in the secondary

return-stoke in the above-mentioned 4-ton per hour boiler, the heat absorption capacity increased by about 25 percent, which led to a drop in smoke temperature by 26° to 28°C, and because of the decrease in smoke loss, the original boiler efficiency was increased by 2.5 percent. It will take a long period of testing before comprehensive economic results are available.

(3) Definite progress has been made in the development of industrial boiler combustion automatic control in recent years. In Shanghai, industrial boiler combustion automatic control began at the Shanghai No 5 Chemical Fiber Plant and Minxing Chemical Plant. Subsequently, Shanghai No 5 Steel Works and others used DDZ II instruments. The DDZ II instrument is a more matured instrument which can completely take care of automatic control of industrial boiler combustion and feed water, though the price is relatively high with each set costing approximately 50,000 yuan. The cost of industrial boiler automatic control device based on international averages is around 10 to 15 percent of the total price of the boiler. The cost ratio of automatic control is somewhat higher for small capacity units such as boilers under the capacity of 10 tons per hour. At present, a boiler with a capacity of 4 tons per hour is sold for around 80,000 yuan and one with a capacity of 10 tons per hour for 180,000 yuan. Using the DDZ II instrument at 27 to 60 percent of the total cost is too expensive. It is worthwhile only if we install DDZ II instruments on boilers with a sale price of 50,000 yuan and a capacity of at least 35 tons per hour. In 1983, the Industrial Boiler Bureau and manufacturers in concern developed a special combustion automatic control instrument for small industrial boilers. In the course of operation it fully and automatically regulated the air-coal ratio so that under a 15 to 20 percent load fluctuation it automatically regulated the combustion quantity and steam pressure could basically be maintained within a variation of ± 0.5 kgf/cm. This control system included oxygen fine adjustment automatic control, chamber negative pressure control, stoker ungraded governor mechanism, actuating mechanism of the air blower and intake device, stress pressure regulator, as well as boiler combustion automatic control instrument (the main control instrument).

In early 1984 this set of equipment was installed in the Shanghai No 5 Rubber Shoe Plant and remained satisfactory after half a year of operation. The main problem was the poor quality of the oxygen test instrument. Automatic control attachment systems used for small industrial boilers in Britain also utilize the same principle. After visiting our installation, the chief engineer of Robey Co., a large industrial boiler plant in Britain, indicated that the system they use is similar to ours. The principle of the system currently uses boiler steam pressure to drive the corrugated pipes of pressure ratio regulator. The extension or contraction of the corrugated pipes regulate the slide arm of slide-wire electrical resistance which changes the value of electrical resistance. This then changes the electrical resistance signals into voltage to output signal and control the size of opening of the air gate and stoker speed in order to obtain the optimum air-coal ratio. Outfitting a 4-ton per hour boiler with a complete set of automatic control costs around 15,000 yuan. For a 4-ton per hour boiler that costs 80,000 yuan this constitutes 18.8 percent of the total cost and is already

quite high. Recently, Beijing Automatic Instrument and Meter Plant has developed microcomputer control, and the future of its popularization and development is largely determined by prices and costs. Industrial boiler combustion automatic control is an inevitable trend of development and the key is the quality and prices of instruments. We believe that development of this aspect in the future requires joint research among design and technical personnel of the instrument and meter industry, industrial boiler industry as well as the two ministries to develop special combustion automatic control devices and test instruments for small industrial boilers which are of low cost and reliable quality. In the near future, we must primarily improve and upgrade the performance and quality of oxygen measuring meters, coal measuring meters and pressure transducers. In the long run, it is hoped that we can develop a quick test instrument for carbon content in boiler slag. The realization of this instrument will be of enormous help to combustion automatic control devices.

(4) In recent years there have not been any new developments in water treatment of industrial boilers in the system, but there has been considerable growth in the extent of popularization. Prior to 1980, approximately 50 percent of the industrial boilers adopted water treatment. According to recent figures, in coastal areas industrial boilers that have water treatment make up about 70 percent. The number of production plants of water treatment equipment have greatly increased. In Wuxi alone there are more than 40 of them and it is estimated that there are at least 600 nationwide. This is favorable to popularizing water treatment of industrial boilers, but the capability of scientific research and technical development in water treatment remain weak and few new products have been developed. Although we have not seen too many water treatment equipment for small boilers abroad in recent years, three or four plants have separately imported equipment from manufacturers in the United States and New Zealand. They are characterized by a high degree of automation and they generally use electro-mechanical multi-unit valves. As many as four different types have already been imported by China. Based on the achievements of the tasks of Shanghai's colleges, universities, and institutes in concern, the Industrial Boiler Institute and Jiangyang Boiler Auxiliary Machinery Plant have jointly developed and manufactured program control multi-unit valves for boilers with a capacity of 4 tons per hour, modeling on those from abroad. In actual operation, the problem is the unstable quality of individual parts. We believe that the production and development of program control multi-unit valves is a key aspect of improving industrial boiler water treatment equipment. Even less work has been done in the problem of water feed and oxygen removal in industrial boilers. In this respect we should import some sample machinery and speed up progress in the task of oxygen removal.

(5) After 1980, industrial boiler makers have added ash extractors to all boiler products in accordance with the provisions of the Ministry of Machine-Building Industry. After a period of operation and testing, these ash extractors have played a role in curtailing pollution in operation and practice, but their efficiency is low at approximately 80 percent. In recent years quite a few units have successively developed a number of

new cyclonic ash extractors that have a higher efficiency. In order to achieve even more rational selection of auxiliary devices, the Ministry of Machine-Building Industry and the Ministry of Urban and Rural Construction and Environmental Protection jointly organized departments concerned to conduct in Shanghai, Wuhan, Tianjin, Beijing, and Nanjing comparative determination and appraisal of 26 ash extractors of different specifications according to a unified test method. Finally eight models, XZY, XZS, XZZ, SG, XZD, XDX, XS, and XND were set as the basis of auxiliary outfitting. Of these ash extractors, XZY and XZS are the exceptions that give a hand-fired boiler efficiency of 80 percent, the others are close to 90 percent. They can be regarded as China's second-generation cyclonic ash extractors. Cyclonic ash extractors are still the main type of ash extractors used by small coal-fired boilers in industrially advanced countries at present. According to the contact between our Shanghai Industrial Boiler Research Institute and the Lentjes Boiler Workers of West Germany and Robey Boiler Works of Britain, the efficiency of the cyclonic ash extractors they use are around 95 percent. Therefore, we still have a great deal of work to do in this area. The diameter of the Whirlwind of Britain is around ϕ 200 and that of West Germany is smaller. Their casing is of cast finish, and both their precision and wearability are good and they deserve to be used for reference.

(6) In recent years, the thermal engineering test capability of industrial boiler manufacturers has improved. As arranged by the State Economic Commission, industrial boiler test centers have been built in six boiler plants in Anshan, Beijing, Chongqing, Jinan, Xi'an, and Changsha which are responsible for providing assistance to thermal engineering tests of manufactured products in their own greater regions. At present, three centers have been checked and accepted and efforts are made to check and accept all of them this year. Currently many fuel corporations in large cities undertake tasks of testing, but individual labor departments also carry on the professional work in efficiency tests. Because the State Planning Commission and State Economic Commission stress industrial boiler heat efficiency tests, the extent of testing of industrial boiler products in China has greatly increased, which has played a significant role in upgrading and improving products. In the future we still need to strengthen the setup for fuel analysis and laboratory tests.

(7) In recent years, fuel supply departments have carried out measures of power mixing of coal in several large cities so that the fuel coal calorific value and volatile are relatively stabilized within a certain range, which is beneficial to energy conservation and efficiency of industrial boilers and raising efficiency. At present, the key to the problem of coal mixing is particle size. For layered combustion, uniformity of particle size is very important. Currently the quality of screens in coal distribution yards is very poor. Nominally it is specified that fuel coal particles must not exceed ϕ 50 mm in size, but actually many are large lumps greater than ϕ 50 mm. The results will be even more tangible if fuel supply departments can strictly control particle size.

II. Existing Problems

Since 1980, definite results have been achieved in product development in China's industrial boiler industry, but there is still a gap between the demands of state energy conservation and advanced standards in the world. Many problems relating to present variety and quality remain exposed.

Last year when the two ministries conducted spot checking and double checking for the issuance of production permits, they found that the quality of products had declined among many manufacturers which had been checked and were thought to be qualified in 1983 while that of small manufacturers which initially did not qualify had all improved. Even some individual long-time manufacturers in the industry have serious problems of quality. This clearly shows that quality control work among China's industrial boiler makers is not stable and solid. With the supply of industrial boilers lower than the demand, it is not easy to do a good job in product quality conscientiously and in earnest. Take the manufacturing of chain-grate stokers as an example, China has a history of more than 30 years in the making of chain-grate stokers but so far not a single industrial boiler maker can manufacture chain-grate stokers that have a high level of performance and quality. The causes are numerous. Objectively speaking, a main reason is that "somebody will buy what is produced" and the manufacturers can be "satisfied" with the present standards of products because they mainly have output value and profits in mind. Tests, upgrading, and improvement most of the time bring no advantage to the manufacturers, and only when there are serious quality problems will they be compelled to do some tests. As a result, besides intensifying industry quality inspection, we must also intensify technical exchange in the industrial boiler industry at home and abroad, strengthen quality control, intensify instruction on quality, improve ideological understanding, commend and publicize manufacturers which truly perform well in technical development and quality control, summarize experiences and popularize them, and speed up the four modernization program to realize socialism in the motherland.

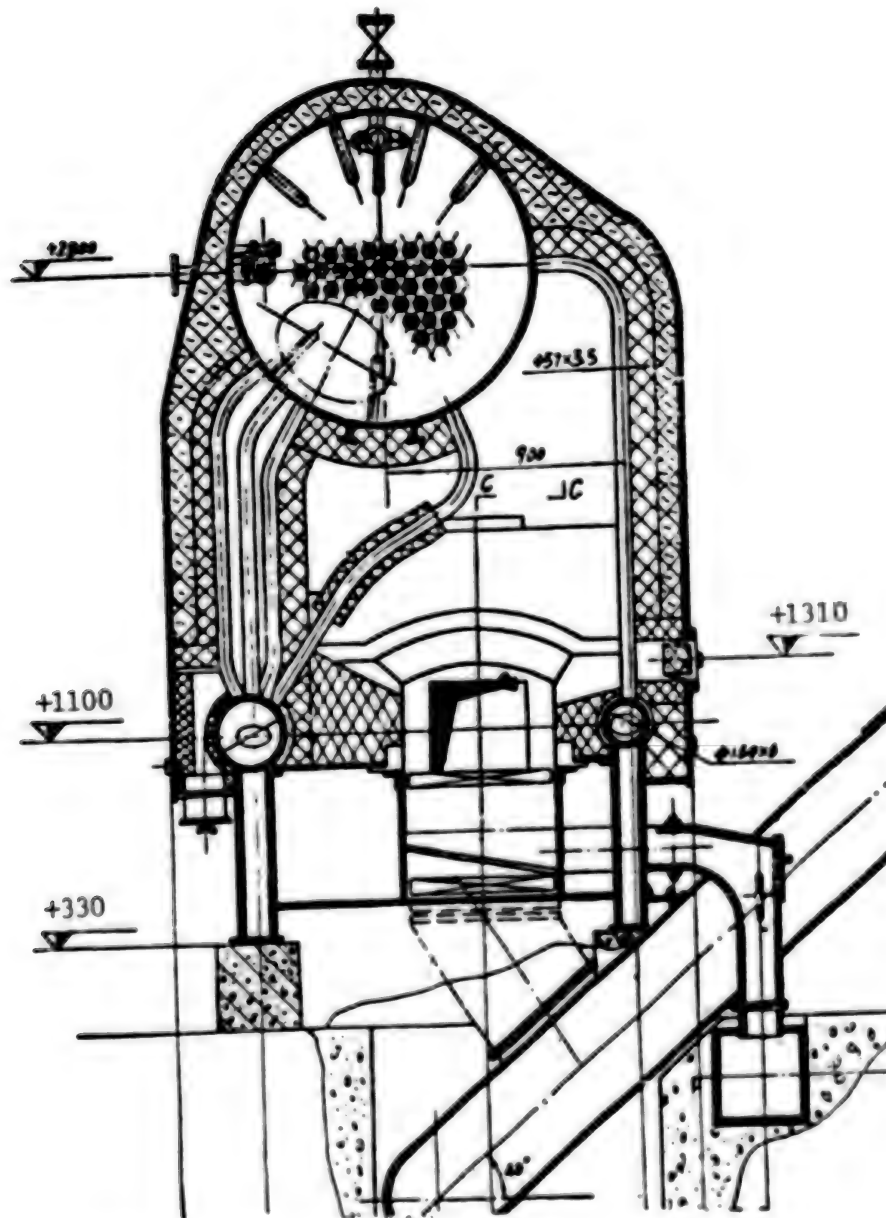


Figure 1. New Type Packaged Inclined Barrel Boiler

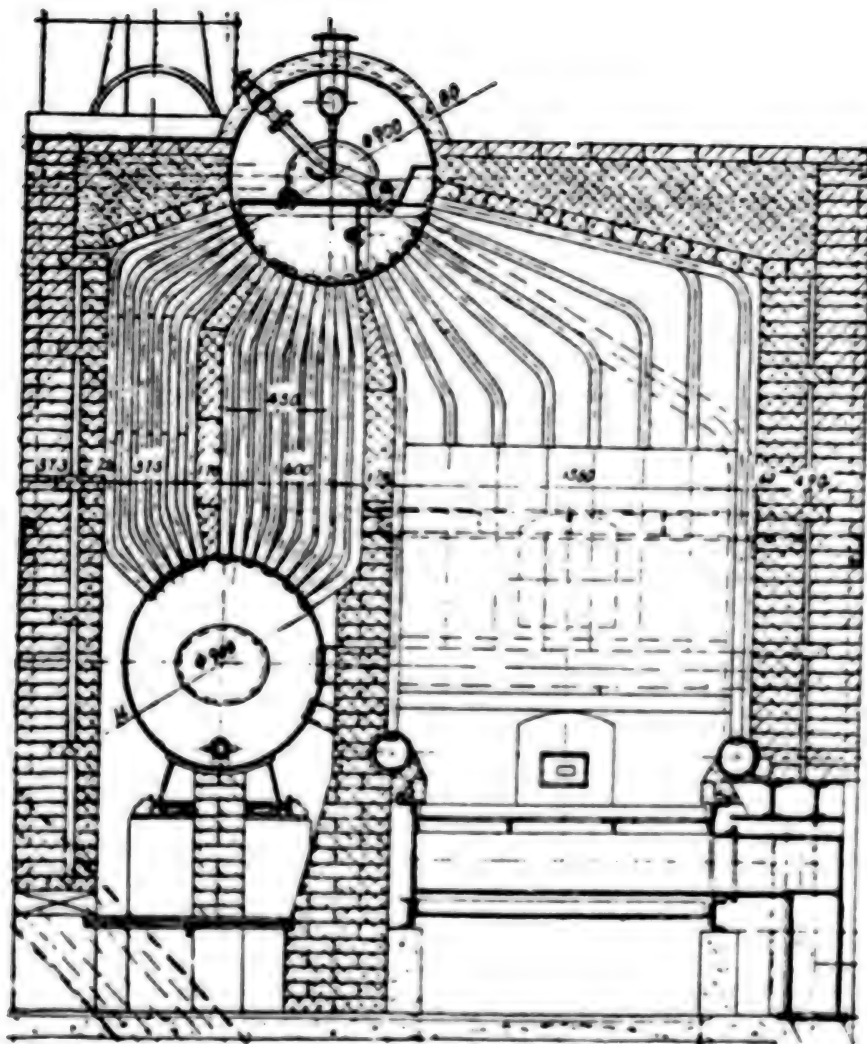


Figure 2. Vertical Double Barrel Chain-Grate Boiler

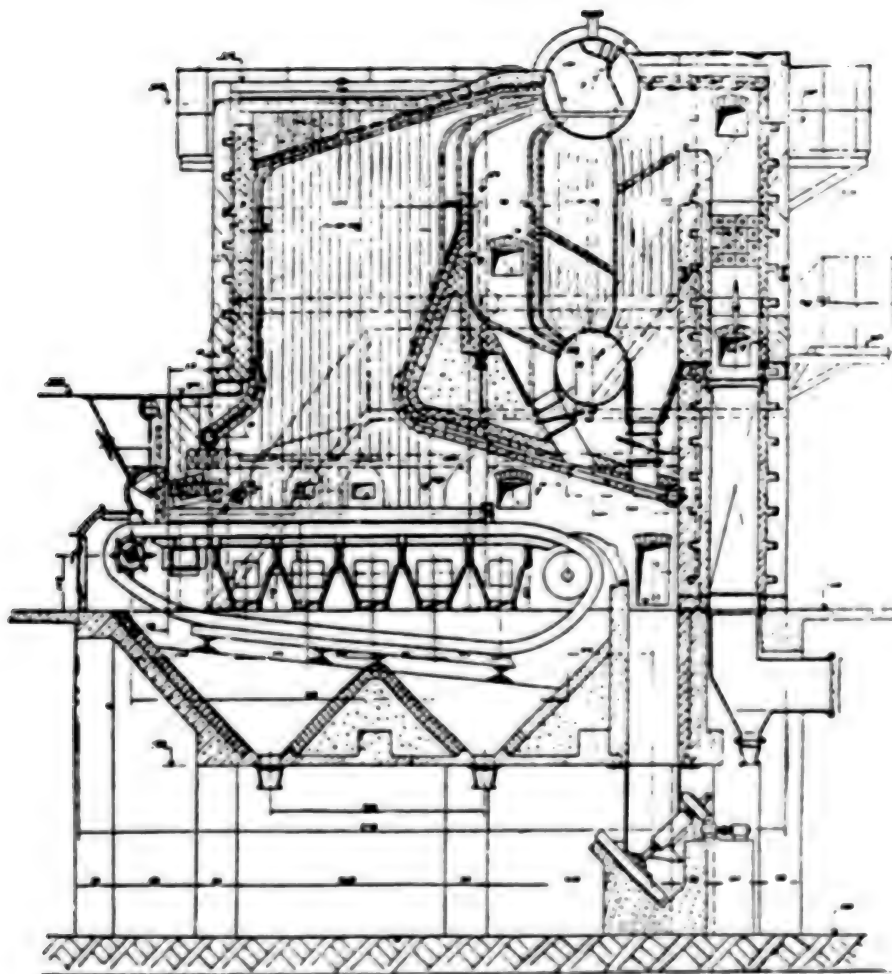


Figure 3. Horizontal Double Barrel Chain-Grate Boiler

9586/9365
CSO: 4013/82

8 July 1986

SMALL-SCALE ENTERPRISES

INDIVIDUAL ECONOMY DEVELOPS IN CHAOZHOU-SHANTOU

HK261214 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1402 GMT 25 May 86

[Report: "Advantages and Disadvantages of Rapid Development of the Individual Economy in Guangdong's Chaozhou-Shantou Area"]

[Text] Guangzhou, 25 May (ZHONGGUO XINWEN SHE)--According to a report by reporter in Kunming [2651 2492 2494], in the 1st quarter of this year, the volume of retail sales of commodities by self-employed businessmen in the Chaozhou-Shantou area reached 143.9 million yuan, accounting for 18.9 percent of the total sales volume of social commodities of that area. This percentage ranks first on the mainland of China.

There are now more than 143,000 self-employed businessmen in the Chaozhou-Shantou area. Of the 14 prefectures and cities in Guangdong, this number is second only to that of the Guangzhou area. These self-employed businessmen run food shops, small hotels, and transportation, sell general merchandise, and so on. The rapid development of the individual economy has added vitality to the economy of the Chaozhou-Shantou area.

Jieyang County has favorable natural conditions for developing fruit production. However, in the past, the peasants were not willing to engage in growing fruit because transportation was very poor and it was impossible to transport in a timely manner the fruit grown there to other localities. In the past few years, the county government has encouraged and helped individuals to run transportation. This has resolved the problem of marketing produce of the county in other places and has stimulated the peasants' enthusiasm for growing fruit. In 1985, the output of fruit, such as bananas, tangerines, and so on exceeded 1 million dan, more than 60 percent over that of 1984.

The development of the individual economy in the Chaozhou-Shantou area not only has promoted the development of the social economy, but has also provided an outlet for part of the excessive and unused manpower. As a result, employment has increased in this area, which has too many people and insufficient arable land. The unstable factors of the society have also been reduced, which can be seen from the gradual decrease of criminal cases year after year. According to the statistics of the public security departments, the total number of criminal cases in the Chaozhou-Shantou area from 1983 to April this year is 40 percent less than that from 1981 to the first half of 1983.

However, the rapid development of the individual economy has also given rise to some social problems.

First, it has increased the pressure on traffic. With the rapid development of transportation run by self-employed businessmen, the number of vehicles has increased abruptly, making the highways crowded, and increasing road accidents. Besides, since there are more individual retailers than the town markets can accommodate, many of these retailers have set up booths and stalls on pavements and even out on the streets, thus blocking traffic.

Second, some evil phenomena of society have revived. For some time in the past, the shops run by a few self-employed businessmen in the Chaozhou-Shantou area, some small shops along the Chaozhou-Shantou highway in particular, became places for sheltering evil people and countenancing evil practices. Some lawless people gathered to gamble there, and others used these shops for hiding or forwarding contraband. From the winter of last year to February this year, the public security departments found 603 of these roadside shops that were engaged in illegal activities.

Judging from the overall situation, the rapid development of the individual economy in the Chaozhou-Shantou area has more advantages than disadvantages. So long as management is strengthened, the disadvantages can be eliminated.

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CSO: 4006/1109

FOREIGN TRADE AND INVESTMENT

PABST TO SET UP \$25 MILLION BREWERY IN GUANGZHOU

HK090402 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD) in English 9 Jun 86 p 1

[Article by Martin Howell]

[Text] Bosses of the American Pabst beer company perform a ground-breaking ceremony on the site for a huge new China brewery later this week.

The fifth biggest U.S. ale producer signed a deal to set up the plant several months ago, it was revealed this weekend.

Pabst has gone into partnership with the Zhao Qing brewery in Guangzhou for the U.S.\$25 million project.

An existing plant that has been mothballed in Vancouver, Canada, is being shipped lock, stock and barrel to be rebuilt in China.

By the middle of 1987 Patst hopes it will be producing 750,000 barrels a year which chairman Lutz Issleib says will make it the largest brewery in the country. He also expects the company's first move out of the U.S. to be profitable in the short-term.

Mr Issleib told reporters in Hong Kong on Saturday that in the early stages 60 percent of the beer will be sold in China with 40 percent exported to the rest of Southeast Asia including here.

But he hoped this would become a 50-50 ratio to further ease any foreign exchange problems.

"We will be the first and only American brewery to set up in China after two years of negotiations," he said.

Pabst which has 12 main labels including Blue Ribbon has signed a 15-year agreement with the authorities.

The company has also already started talks for another brewery and is confident of making the move into China a huge success.

Mr Peter Wong, president of Pabst's distribution partner the Pacific Atlantic Trading Co, reckons the beer will "go like hot cakes."

"We already have the orders in hand if we can produce. Beer sales in China are soaring and there are hour-long queues for it," he claimed.

Pabst expects to get most of the ingredients for the ale from within China except for hops and beer cans which will have to be imported.

The venture will also mean the sale of the Chinese ginseng label beer in the U.S. as part of a two-way deal.

An 18-strong Pabst team is leaving Hong Kong for Zhao Qing on Tuesday morning including the firm's 80-year-old owner Mr Paul Kalmanovitz.

"He is very excited by the prospects which is why he took an exhausting trip like this," added Mr Issleib who said the owner was too tired to meet the press.

Experienced technical staff and a Milwaukee brewery manager Bob Tiemann will help the Chinese in the plan.

The move onto Hong Kong's doorstep will make the local market even more competitive. The world's biggest brewer Anheuser-Busch still hopes to take over the San Miguel brewery in Hong Kong while European and Japanese firms are also seeking deals for both markets.

Pabst management says it has ousted Carlsberg as Hong Kong's second largest beer company after San Mig. But the claim of an 18 percent market share is being treated highly sceptical within the industry.

San Mig is acknowledged to have around 70 percent, Carlsberg between 10-15 percent and Tsingtao 5-8 percent. So it is difficult to see how Blue Ribbon could grab 18 percent as it fights for a fraction of the market place populated by other imported beers.

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CSO: 4020/355

8 July 1986

FOREIGN TRADE AND INVESTMENT

SMALLER U.S. ENTERPRISES SEEKING TRADE DEVELOPMENT

HK130351 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0245 GMT 12 Jun 86

[News Roundup by correspondent Zhao Wei [6392 0251]: "American Medium-sized and Small Enterprises Seek Development Opportunities in China"]

[Text] Beijing, 12 Jun (ZHONGGUO XINWEN SHE)--Trade between the United States and China has in the past been almost all accounted for by big enterprises. Now U.S. medium-sized and small enterprises are also itching for a market share. A number of American manufacturers of Asian descent recently held a high-technology exhibition in Beijing in an attempt to make a start in creating a market.

According to Mr Lin Jiebing [2651 0267 1456], chairman of the Association of American Manufacturers of Asian Descent, who was one of the organizers of this exhibition, the annual sales volume of these manufacturers from the West Coast Silicon Valley generally runs from several millions to several tens of millions of U.S. dollars. They are not well provided with capital but they are highly competitive technologically. They are also quick to react to market conditions. Given the blood ties many of these traders have with the Chinese, they are confident of breaking into China's market. He said: "It is difficult to get anything started. But it is necessary to take the first step." The U.S. secretary of commerce and the governor of California expressed support for their brave action.

The Chinese responded with enthusiasm. Wu Mingyu, vice minister of the State Scientific and Technological Commission, praised them, saying that the products of these medium-sized and small factories are of a relatively high technical level and are very attractive in regard to quality, performance, and price. This exhibition is perhaps one of the smallest among foreign exhibitions in Beijing. But Mr Wu said: "A mountain is not necessarily high and its fame lies in its having an immortal as its resident." Every day, 500 or 600 people visited the exhibition. Most of them were responsible technical personnel of industrial departments and engineers of enterprises.

"Trading is unexpectedly successful," Wu Junjie [0702 0193 0267], vice president of the Time & Frequency Technology company (TFT), said. Orders under contract for the microwave transmitter-receivers and transceiver [diantai 7193 0669] monitors produced by this company were accepted. Chen Yizhi

[7115 0001 0037], a young executive of the Aot Company, was kept busy for days. Apart from giving lectures on technology, he was approached almost daily by people talking business or signing contracts with him. He considers that the semi-conductor and electro-optic cell measuring and stessing instruments were well received, partly because these instruments are first class U.S. technology and partly because the Chinese are badly in need of advanced testing and measuring means to raise the quality of electronic products. He thinks that the best future lies in using this company's advanced technology to produce these measuring and testing instruments in cooperation with China. Apart from being used at home, these products can be sold on the international market.

Of course, not all the manufacturers participating in the exhibition are so lucky. But those managers who had not done any business did not feel disappointed. They said: What is important is an opportunity to understand each other. In the past, there were too few opportunities for either the U.S. medium-sized and small enterprises to understand China's market or for the Chinese to understand U.S. medium-sized and small enterprises. Li Xinpei [2621 1800 1014], vice chairman of the Association of American Manufacturers of Asian Descent, said: U.S. medium-sized and small factories' technically advanced and highly adadptable but reasonably priced products are suited for China which is short of foreign exchange but badly in need of imported technology. But China must study ways of entering into cooperation with U.S. medium-sized and small enterprises, because these enterprises with limited capital cannot afford any long-lasting talks or any delay caused by the existence of numerous complicated procedures for examination and approval. He holds the view that if China's enterprises have the decisionmaking power to trade directly with medium-sized and small U.S. enterprises, then the latter will have more chance of success.

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CSO: 4006/1101

FOREIGN TRADE AND INVESTMENT

OPEN DOOR ACHIEVEMENTS IN POSTS, TELECOMMUNICATIONS

Beijing GUOJI SHANGBAO in Chinese 9 Sep 85 p 1

[Article by own correspondent Wang Chang [3769 1603]: "With Daily Improvement of Infrastructure and Continuous Adoption of Advanced Equipment, China's International Postal and Telecommunications Services Are Developing Rapidly"]

[Text] Since opening up to the outside world, China has made great progress improving its international postal and telecommunications services; infrastructure has been perfected constantly, and the volume of business has been increasing continuously.

With regard to international postal service, China has established direct postal service with 113 countries, and separate pieces of mail can be indirectly forwarded to every country or region of the world. Because certain units need to mail important documents, data or valuable goods, China has established insured letter and parcel post service with almost 100 countries and territories.

In order to shrink the time between airline flights and the amount of time it takes to process mail, and speed up mail delivery, China in 1980 instituted an international express mail service, which was highly welcomed by its patrons. The service is now in operation with 30 countries and territories, such as Japan, the United States, Canada, Great Britain, France, the FRG, the Netherlands, Australia, Singapore and Hong Kong. Incoming and outgoing mail amounts to 160,000 pieces annually.

Electronic mail is an advanced form of communication, available now in only 20-odd countries of the world. In China, preparations for the use of electronic mail are basically complete, and this service will begin in October this year,.

With regard to international telecommunications, China's infrastructure has been greatly improved. China now has four satellite earth stations. Shanghai operates a Pacific Ocean earth station, Beijing operates a Pacific earth station and two earth stations for the Indian Ocean. The submarine cable that existed in the past between China and Japan will be restored by 1986. Guangzhou and Hong Kong are connected by a land cable as well as by a microwave system. The international export bureaus of Beijing and Shanghai

have installed programmable telex exchanges with 2,000 and 1,000 lines, respectively. Programmable international telephone exchanges and automatic telegram relay equipment will be installed and available for use within this year. By installing the above-mentioned equipment China has established direct communication circuits with 46 countries and territories.

At present China has instituted such international telecommunication services as telephone, telex, public telegraph, phototelegram, public express facsimile phototelegram, subscriber phototelegram, and data search services. Among these services, telephone services have increased at an annual rate of 52 percent in recent years, and it is estimated that the annual increases during the coming years will be at the rate of 3 percent. China now has direct telephone links with 30 countries and territories, through 761 circuits. With certain countries and territories with large volumes of operations these services are semiautomatic, using the CCITT No 5 signal system. In recent years the volume of international telex service increased at the rate of 40 percent, with the number of users having increased to 2,100 and the international circuits having been increased to 600. All international telex services throughout the country have automatic exchanges.

Since 1982 China has instituted public phototelegraphic and facsimile telegraphic services with Japan, Singapore and Hong Kong, a service that has increased by leaps and bounds. Not only will new connections be established for this service in Asia during this year and next year, but it will be also extended to Europe and North American.

Furthermore, China has employed far-end concentrator instruments in 1983 to link up, through the Italian data exchange network, for information retrieval services, and is now connected with the American TYMNE and TELENET data networks. Similar connections are expected to be established within a year or two with certain other countries.

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CSO; 4006/380

FOREIGN TRADE AND INVESTMENT

COOPERATION MEETING WITH GDR HELD IN BERLIN

OW290405 Beijing XINHUA Domestic Service in Chinese 0755 GMT 27 May 86

[Article by correspondent Zhou Houji]

[Text] Berlin, 26 May (XINHUA)--The China-Democratic Germany Commission for Economic, Trade, Scientific, and Technological Cooperation held its second meeting here today. The commission, established in April 1985 by a governmental decision of the two countries, held its first plenary meeting in Beijing. In their speeches at today's meeting, Qin Zhongda, chairman of the Chinese Government delegation and of the Chinese side of the commission and minister of chemical industry, and Guenther Wyschofsky, chairman of the Democratic German Government delegation and of the German side of the commission and minister of chemical industry, expressed satisfaction with the work and achievements of the commission in the past year or so since its establishment. Both sides pointed out that the 1986-1990 agreement for exchange of commodities and payments signed by the two countries in 1985 had laid a good foundation for a long-term, stable development of economic and trade relations between them. The two sides also held that there is still a tremendous potential for economic, trade, scientific, and technological cooperation between the two countries.

It is reported that the volume of trade between the two countries in 1985 increased 60 percent over that of 1984. Their volume of trade will go up by 33 percent this year over last. The volume of trade indicated in the contracts the two sides have signed so far accounts for 76 percent of the total projected for this year. There is also smooth cooperation between the two countries in science and technology, geological prospecting, and providing labor service.

Ma Xusheng, Chinese ambassador to Democratic Germany, attended the meeting. The Chinese Government delegation headed by Qin Zhongda arrived here on 25 May for the meeting.

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CSO: 4006/1101

FOREIGN TRADE AND INVESTMENT

CLOTHING EXPORTS CONTINUE TO INCREASE

OW091016 Beijing XINHUA in English 0939 GMT 9 Jun 86

[Text] Beijing, Jun 9 (XINHUA)--China's clothing exports continue to grow. But quality must be improved to increase them more, INTERNATIONAL BUSINESS said today.

The government semiweekly reported that clothing exports for the first five months of this year had a value of 550 million U.S. dollars. Exports for all of 1985 had a value of 1.02 billion dollars.

Clothing is second only to crude oil as China's top export, according to the paper, and sales overseas have grown substantially over the past decade.

The paper quoted Zhong Quansheng, deputy manager of the Chinese Textile Import and Export Corporation, as saying the country exported 4.36 billion U.S. dollars in clothing between 1981 and 1985, 129 percent more than in the previous five years.

China began making clothing for export in the 1950s, but sales were slow, the paper said. Aside from politically-motivated import barriers, Chinese clothing did not follow international fashion, and so was imported primarily for sales by street vendors and discount stores.

Since then, working with foreign companies, the country's foreign trade departments have retooled their clothing factories and have improved their products' quality and updated their design, the paper said.

As a result, more than 1,000 clothing factories in China have customers in a total of 130 countries and regions, and one-third of them make clothes for higher-priced stores.

Still, Zhong said, China's clothing exports account for only three percent of the world's 50 billion U.S. dollar market.

According to the paper, "China wants to export more quality clothes and to increase their variety, and to do this the country is prepared to have more flexible trade arrangements with foreign firms."

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CSO: 4020/351

FOREIGN TRADE AND INVESTMENT

FUJIAN IMPORTS OPTICAL FIBER EQUIPMENT FROM ITALY

OW080259 Fuzhou FUJIAN RIBAO in Chinese 26 May 86 p 1

[Article by FUJIAN RIBAO reporter Chen Huibo]

[Text] A contract was signed at the restaurant of Fuzhou's foreign trade center on 25 May between the Fujian Administration of Posts and Telecommunications and Italy's (Taletera-Pirelli) company on the import of equipment needed for the completion of the first-stage Xiamen-Nanping optical fiber telecommunications project.

The first-stage Xiamen-Nanping optical fiber telecommunication project (Nanping--Yongan sector) calls for the import of 1,920 circuits x 2 optical fiber cable and the equipment for the relative photo cell converter system. The provincial administration of posts and telecommunications finally decided to import the equipment from the (Taletera-Pirelli) company under Italy's Fiat Group.

Attending the contract-signing ceremony were You Dexin, vice governor of Fujian; and Lin Jinquan, head of the provincial administration of posts and telecommunications; as well as Italian Ambassador to China Marras, and (Kasoli), manager of the International Department of Italy's Fiat Group.

Before the ceremony began, Xiangnan, You Dexin, and He Minxue met with Ambassador Marras and Mr (Kasoli). (Kasoli) and the other Italian guests also discussed issues of cooperation with the comrades from the provincial economic commission and the provincial commission for foreign economic relations and trade.

The set of optical fiber telecommunications equipment from Italy is expected to arrive after September 1986. It will be installed, and put into operation in August 1987.

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CSO: 4006/1104

FOREIGN TRADE AND INVESTMENT

GUANGXI INCREASES 1985 EXPORT VOLUME

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 47, 25 Nov 85
p 18

[Article by Ye Chuyang [0673 0443 7122]: "Guangxi Develops Foreign Trade"]

[Text] Favorable Tendency in This Year's Imports and Exports

This year, Guangxi's imports and exports show a distinctly favorable tendency as compared with last year. By 10 November the commodity export plan for the whole year had been overfulfilled. The value of all exports amounted to U.S.\$301.85 million, which is 101.6 percent of the annual plan and an increase of 15 percent over the figure for the corresponding period last year.

Guangxi exports more than 2,500 kinds foreign trade, consisting of almost 5,000 items. Items that registered comparatively larger increases this year were granulated sugar, aniseed, the Western-type medicine levamisol, cassia bark, and fabric blends; export volume also increased considerably in fresh fruit and vegetables, live animals, rosin and tin. Among traditional staple exports that proved hot-selling items there were eight that were worth more than \$10 million, namely high-quality rice, live pigs, canned goods, tea, rosin, bambooware, tin, and barite. Five items were of a value between \$5 and 10 million. This year, several export items were also newly introduced into the international markets; they showed good competitive potential and sold well. Such items were the famous "Nixing" handcrafted ceramics; the "phoenix pots," a new product of which the United States placed an order for 400,000 pieces at once. This year the export commodities mix has also undergone a change, in that the proportion of industrial and mining products rose to 67 percent, and the proportion of agricultural and sideline products, native and special products has declined from the former 50 to 60 percent to the present 33 percent.

By now Guangxi has established trade relations with 73 countries and territories, and in recent years its trade with the United States, Japan, the EEC and the Third World has been expanded. Exports to Hong Kong and Macao during the period from January to October this year exceeded \$120 million.

Effective Measures Used in Developing Foreign Trade

In order to develop its foreign trade, Guangxi has exerted efforts in various direction.

Guangxi has strengthened its leadership, improved its organizational system, adjusted the leading groups, trained key personnel, and steadfastly kept up its reforms. Whereas there were only specialized corporations dealing in grain and oil, local specialty products, animal by-products, industrial products, metals and mining products, textiles, chemicals, and imports, since last year, Guangxi has established specialized import-export corporations for products relating to light industry, arts and crafts, medicine and health care, base construction, machinery, nonferrous metals, and packaging. Furthermore, these corporations were given greater autonomy in concluding their own deals. At the same time, Guangxi selected, in line with the standards of the four modernizations, young progressive cadres for key leadership positions, carried out readjustments of the leading groups on a large scale, set up training classes in foreign trade schools to raise the quality of its cadres. The province also stressed the role of the Guangxi Foreign Trade Promotion Commission as a key link in the development of the province's foreign trade activities.

Guangxi augmented its overseas foreign trade organizations and perfected its information network. For example it improved the organization of the Guijiang Enterprises Corporation in Hong Kong, set up a trade center in New York, and stationed a trade promotion team in France.

Guangxi allowed basic level and commodity supply units the benefit of retaining a large portion of foreign exchange, guaranteeing cash redemption, thereby inspiring enthusiasm among the departments concerned.

While firmly maintaining the principle of a united stand toward the outside world, Guangxi made equal efforts in developing exports within as well as outside of the plan; by the end of October agency exports had reached \$50 million.

Guangxi strengthened control of export commodities. It carried out a system of controlling staple exports but allowing freedom in sundry exports to follow market conditions. It reformed the traditional method of procurements by changing single-line circulation, centralizing procurements through multichannel circulation, and procuring directly and from disparate sources. This reform increased the vitality of foreign trade enterprises and attained excellent results, so that province-wide procurement of commodities for export rose 29 percent compared with that of the same period last year. In these export procurements, there was a 65 percent increase in medicines, a 62 percent increase in light industrial goods and a 47 percent increase in goods in the category of native produce and animal by-products.

Guangxi employed such methods as "using imports to produce exports," "three imports and one compensation" [three forms of import processing and compensation trade] as well as integrating imports with exports, linked procurements, barter, joint operations by enterprises in the same line of business, importing technologies and improved varieties, supporting

production, having products upgraded and updated, increasing export commodities that have a good market and increasing the supply of export goods.

Guangxi developed its advantage in natural resources and aggressively ran export commodity bases. For the last 2 years, with the support of the Ministry of Foreign Economic Relations and Trade, Guangxi allocated large sums for the construction of export production bases. Twenty-one export bases for the production of single commodities were set up for high-quality rice, pigs, chickens, beef cattle, black tea, cassia bark, fennel oil, and oranges, while a comprehensive production base was set up in Yulin Prefecture. Last year the bases provided commodities amounting to a total value of more than 190 million yuan, which represented 31 percent of the total value of export procurements. Export procurements from the Yulin comprehensive base amounted to more than 170 million yuan, which overfulfilled the plan by 12 percent.

Guangxi has adopted flexible methods of carrying out business such as to invite visitors in and to seek opportunities abroad. This year, Guangxi exhibited commodities at exhibitions in France, Italy, and Greece and other countries. In March, Guangxi held an export commodities exhibition and trade in Macao, promoting sales worth more than \$20 million. At the end of November, a large-scale and comprehensive exhibition of Guangxi export commodities was held in Hong Kong, where negotiations on imports were also held. The province also held various small trade fairs, negotiations, and actively participated in the Guangzhou Trade Fair. At the Guangzhou Autumn Trade Fair, just concluded, Guangxi transacted business worth more than \$50 million. This year foreign parties have exhibited their commodities in Guangxi on six occasions. Recently the Japanese city of Kumamoto held a large-scale exhibit in Nanning. Over 70,000 people visited the fair and concluding transactions valued at over \$400,000. Widespread contacts have broadened vision, brought exchange of information, established friendly relations, and opened up new markets.

Following the shift from a closed to an open economy, Guangxi's import trade has also seen substantial development, and the scope of imports is expanding almost daily. Industrial and agricultural production and the import commodity mix underwent some basic changes. In the last year of the Fifth 5-Year Plan, over \$12 million in foreign exchange was spent on imports; last year this figure was somewhat over \$87 million. This year orders for import goods reached the sum of more than \$170 million, with \$110 million having been delivered already. These figures represent an increase of 11 percent and 4.5 times, respectively, compared with last year's. The import commodity mix has changed from one in which steel products and chemical fertilizers predominated to one in which machinery, instruments, technology, and critical raw and auxiliary materials predominate.

Although there has been steady development in Guangxi's import and export trade, the scope of Guangxi's exports does not yet match the exceptional geographical advantages and abundant natural resources of the province. Last year, the total value of procurements for foreign trade accounted for only somewhat over 3 percent of Guangxi's gross value of industrial and agricultural output, and for approximately 1.3 percent of the total foreign trade procurements of the whole country, placing it into 17th position. The total value of exports accounted for 1.3 percent of the total value of China's

exports, placing Guangxi into 15th position, while, furthermore, a considerable portion of its exports were primary products and roughly processed products. This explains the great disparity with the national levels, but also indicates that there is large potential and very favorable conditions for an expansion of Guangxi's exports.

9808 CSO: 4006/464

FOREIGN TRADE AND INVESTMENT

GOVERNMENT SAID KEEN TO SELL HAINAN GAS TO HONG KONG

HK030350 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 3 Jun 86
p 1

[Report by Olivia Sin]

[Text] Hong Kong and China Gas Co Towngas) will start preliminary negotiations with China later this month over the purchase of natural gas from an offshore gas field south of Hainan Island.

A team of Chinese officials from the state-owned China Offshore Natural Gas Utilization Co. in Guangzhou will arrive soon in Hong Kong for the talks.

Towngas managing director, Mr Malcolm Matthews, said the talks will center on the long-term sales contract which has been proposed by China.

The talks will include such issues as the price of the gas, the reliability of supply, the specification of the gas and back-up supplies in case of emergency.

Mr Matthews said Towngas is interested in the offer, but has not yet decided to switch from its naphtha-based towngas to natural gas.

He stressed the company will not accept the offer unless it promises economic advantages to its customers.

Towngas has completed most of the financial and technical studies relating to the purchase of natural gas.

"But we have to find out more about the quantity of gas we need (in a couple of decades) and its pricing," he said.

The US\$500 million gasfield off Hainan is developed jointly by the China National Offshore Oil Corp. (CNOOC) and the U.S.-based Atlantic Richfield Co.

A subsidiary of CNOOC, the China National Natural Gas Utilization Co, has signed a contract to buy the bulk of the gas produced from the field for 20 years.

China is therefore keen to sign similar long-term sales contracts with both of its domestic clients and Towngas.

Towngas carried out research to gauge its customers' opinion on the use of natural gas at the end of last year.

Mr Matthews did not give details of the results.

He said a proposal will be submitted to the Towngas board of directors over the purchase of natural gas when all the necessary data is available.

Some local catering business which use towngas have voiced concern over the cost of converting their cooking facilities and the possible loss in business hours.

Mr Matthews said such businesses will not have to shoulder the conversion cost. The conversion work will be done by Towngas.

Meanwhile, intensive preparation work is being undertaken by China to prepare for the development of the gas field and the downstream activities.

China will soon complete the drilling of two appraisal wells to evaluate the gas field's reserves.

The field estimated to hold 90 billion cu m of gas is said to be one of the biggest offshore fields in the world.

It will come on stream by 1989 and its annual production capacity will reach a peak of 3.15 billion cu m a year about three years later.

China plans to build a 1,000 km gas pipeline from Hainan to Shenzhen in a bid to solve the chronic energy shortage in Guangdong Province.

The California-based Fluor Engineering Group has been awarded the contract to act as the project services contractor for the pipe-laying work.

Mr Edward Hsia, the president of Fluor China Inc, a subsidiary of the group, said the company is already discussing with the Chinese the route of the pipeline, its technical specification, the financial requirements and the procurement of necessary supplies.

The contract was awarded in March and the plans are expected to be completed by the end of July.

Fluor is specialised in engineering, construction and the production of mineral resources.

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CSO: 4020/351

FOREIGN TRADE AND INVESTMENT

HONG KONG PAPER REPORTS PROPOSAL TO BOOST ECONOMIC EXPANSION

HK080412 Hong Kong SOUTH CHINA SUNDAY MORNING POST (SUNDAY MONEY supplement)
in English 8 Jun 86 p 1

[Article by Carolyn Leung]

[Text] Three young entrepreneurs have had a good hearing in Beijing for their scheme to raise U.S.\$200 million for China's economic expansion.

The plan appears to be very simple--for every \$1 China invests in the fund-raising scheme, the trio will put in \$5 to expand the capital pool into \$6.

When China forms a joint venture with a foreign partner in investment projects, the capital pool will be expanded to \$12 as the foreign partner has to put in \$6 as well.

The \$12 dollar capital can then be expanded into \$48 according to the gearing ratio of 3 to 1. The gearing ratio is a balance between a company's debt and equity.

When the U.S.\$200 million is raised the money will be used to finance China-related projects.

The men behind this somewhat unusual idea are David Tang, managing director of Cluff Investments and Trading Ltd; Arthur Lai, the founder and the chairman of Chin Tung stockbroking firm; and Stephen Funk, chairman of the First Generation Co which is publicly listed on the Vancouver Stock Exchange.

Cluff Investments and Trading is a member company of the Long-based Cluff Oil Plc. The company has signed two contracts with China to act as the exclusive trading and investment agent for Ningbo and Wenzhou last year.

Cluff Investments and Trading is also an agent for Virgin Record (Boy George and Culture Club) in China.

Chin Tung is one of the top stockbroking firms in Hong Kong and First Generation has raised many stock issues for China-related projects over the years.

First Generation also has a majority stake in a Hong Kong-based company called Welton Electronics which has already set up an electronics factory in Shenzhen.

During a visit to Beijing last week, the trio relayed their plan to senior Chinese officials including Mr Gu Mu, a state councillor; Mr Tian Yinong, vice minister of the Ministry of Finance and Mr Cui Yanxu, vice chairman of the Bank of China board.

"We are very committed to China and we have high hopes of China's development," said Mr Tang. "China has decided not to spend too much money and not to borrow any money because of its restraints in foreign exchange reserve.

"Our plan is to convince China to spend a small amount of money and we can magnify its five times. Since the fund is very big, China has no need to raise funds to finance its projects."

After the U.S.\$200 million is raised, a joint venture management company will be set up to manage and invest the fund.

"It is very difficult to get a quick return from investment in construction and manufacturing projects, so the management company will also invest in trading activities to generate a constant cash flow," said Mr Tang.

"It is our hope that China's import and export corporations will also put their money into this fund-raising scheme.

"The management company will provide capital injection into the import and export corporations if it wants to boost its production for export.

"Many products in China can be exported if the production capacity is big enough."

According to Mr Tang, they will continue negotiations with China although the government is very cautious about the scheme.

"If China accepts the plan, we can raise the fund very quickly," he said: "It will be the most revolutionary way of raising funds for China."

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CSO: 4020/351

FOREIGN TRADE AND INVESTMENT

BRIEFS

PLANE DEVELOPMENT AGREEMENT WITH FRG--Bonn, Jun 6 (XINHUA)--China and Federal Germany today signed an agreement on cooperation in joint development of a new plane MPC-75 at the Hanover International Air Show. The project was worked out by Federal Germany's largest aerospace company Messerschmitt-Boelkow-Blohm (MBB) and the China Aero-Technology Import and Export Corp (CATIC). It was reported that the two sides have already begun feasibility studies and the first commercial flight of the MPC-75, a 85-120 seat regional passenger plane capable of flying a distance of 2,800 kilometers, could take place in 1995 if design and development work proceeded well as expected. MBB and CATIC also agreed to set up a joint office in Hamburg to coordinate their work and establish contacts with potential customers. "We are both convinced there is worldwide demand for this type of plane," said MBB's chairman Hanns Arnt Vogels. [Text] [Beijing XINHUA in English 0623 GMT 7 Jun 86 OW] /6662

LEASING BUSINESS VOLUME--Beijing, Jun 6 (XINHUA)--Leasing in China is rapidly becoming a major industry with sales in the billions of yuan some five years after the country's first two leasing companies opened. According to a report in today's overseas edition of the PEOPLE'S DAILY, 40 leasing companies are operating in China, including 13 joint ventures using Chinese and foreign capital. The other 27 leasing enterprises are state-owned. Altogether, the paper said, the 40 companies have signed 1,100 leasing contracts in China and overseas worth 800 million U.S. dollars. The companies' range of services has expanded as fast as their business volume, it said, with new offerings including patent licenses, computer software, used industrial equipment and equipment assembled into complete units. Some Chinese leasing outfits have begun competing in the international leasing market, generating needed foreign exchange, the paper reported. The Sino-Japanese China-Orient Leasing Company, for example, has leased an 18,000-deadweight ton carrier to a foreign company, it said. The ship was built in Guangdong Province in southeast China. [Text] [Beijing XINHUA in English 0543 GMT 6 Jun 86 OW] /6662

SHANDONG LEAD IN COTTON--Shandong Province, which plans to export 150 million kilograms of cotton this year, now earns more foreign currency from cotton than any other province in China, the newspaper ECONOMIC INFORMATION reported. Contracts for exporting 147 million kilograms of cotton have already been signed, the paper said. China has long been a major cotton exporter to Asia and Eastern Europe and Chinese cotton has always been popular among foreign clients for its variety and different grades. Shandong is one of six cotton

export bases in China. Last year, the province exported 82 million kilograms of cotton, 24 per cent of the country's total cotton exports, and earned \$105 million in foreign currency. Shandong has improved the quality of its cotton and consequently its reputation in the international market by switching to better varieties, and the paper reported that three varieties produced in the province were now among the best in China. In 1983, the province exported only 6.1 million kilograms of cotton, 4.8 per cent of the country's total. Exports soared in 1985 when the province began to grow better strains in 90 per cent of its cotton producing areas. [Text] [Beijing CHINA DAILY in English 7 Jun 86 p 2 HK] /6662

CSO: 4020/355

SPECIAL ECONOMIC ZONES

CURRENT PROBLEMS FACING SHENZHEN SEZ

Hong Kong CHING PAO [THE MIRROR] in Chinese No 1, 10 Jan 86 pp 24-26

[Article: "What Are the Problems Currently Facing Shenzhen? Conversion Between Publisher of CHING PAO and Secretary-General Zhou Erkang"]

[Text] On the afternoon of 9 December 1985, in room 442 of the Overseas Chinese Building in Shenzhen, Mr Xu Simin [1776 0934 3046], publisher of CHING PAO, had a frank discussion with Secretary General Zou Erkang [6760 1422 1660] of the Shenzhen City government about the problems currently facing Shenzhen. Also participating in the conversation were Director Luo Miao [5012 1181] of the SHENZHEN TEQU BAO and Mr Wang Yiming [3769 0001 2494] (a Taiwan businessman, the sole investor and proprietor of the Cuihu Holiday Village).

Will Issuing "SEZ Currency" Bring Good or Harm?

Xu: At the National People's Political Consultative Conference in 1985, Mr An Zijie [1344 1311 0094] supported issuing "SEZ currency," but Mr Li Zisong [2621 1311 6139] felt that "the more kinds of currency, the more trouble." I support issuing "SEZ currency" on the condition that all other currencies are withdrawn. At first, Prof Qian Jieju [0578 1367 7467] supported issuing it, but recently, after making a study trip to Hong Kong and exchanging opinions with some bankers, he also feels that it needs to be reconsidered. For a period recently, arbitrage in Shenzhen was very prominent, although of course Shenzhen cannot bear the main responsibility. Every day 10,000 to 20,000 Hong Kong and Macao compatriots and 70,000 to 80,000 people from the interior arrive in Shenzhen. There is a considerable element among them engaged in black market currency deals and profiteering. Statistical information shows that in 1984 more than 7 billion yuan of domestic goods were exported to Hong Kong but the actual foreign exchange income was only 5 billion yuan. The more than 2-billion-yuan difference was "washed away" as "goods smuggled across the sea" and black market foreign exchange, or the money made was deposited in Hong Kong.

Zou: Looking at the development of the SEZ, by the end of the century, the city of Shenzhen will need to have brought in gradually about \$7 billion in foreign investment. The characteristics of foreign funds are that they can enter and leave freely and fluctuate freely. China's economic system as a whole is turned inward, and the appropriate financial foreign exchange policy for this system is: RMB cannot be freely converted into foreign exchange.

We do not care how much foreign currency comes in, but we do control how much goes out. But this policy creates problems for SEZ's, which "focus on importing foreign investment." The more foreign investment there is, the more problems there are. For example, 80 percent of the products of a joint venture are sold overseas and 20 percent are sold domestically. Its raw materials and technology are also imported, paid for with foreign currency. In the past 2 years it has accumulated 7 million yuan in RMB. It is impossible to convert this sum into foreign currency, but the money cannot be used in China either; the money can neither be used or transferred.

Shenzhen is very close to Hong Kong and Macao; fishermen and farmers have trade deals with the outside, and in addition more than 80,000 people from Shenzhen are in Hong Kong. As a result, many Shenzhen residents get their hands on Hong Kong dollars, and with Hong Kong dollars they can buy foreign consumer items. In this situation, for a considerable period of time it will be very difficult to prevent the circulation of Hong Kong dollars. More important, the best we can do at present is to adopt transitional SEZ policies to respond to the importation of large amounts of foreign funds: three kinds of currency (Hong Kong dollars, foreign exchange certificates and RMB) will circulate simultaneously. Enterprises which bring in foreign exchange will not have to convert the foreign exchange. But following the growth of the SEZ, this does not help China politically or economically. Of course, the Hong Kong and Shanghai Bank and Charter Bank welcome the circulation of Hong Kong dollars in Shenzhen; since they issue Hong Kong dollars, this benefits them. But in regard to the national interest and considering the growth of the SEZ, the circulation of three currencies cannot last forever. That is why there is a plan to issue "SEZ currency," uniting the three currencies into one "SEZ currency." But this has been delayed due to a lack of agreement.

Xu: Including Shenzhen, how many hundreds of millions of Hong Kong dollars are estimated to be circulating in the several SEZ's?

Zou: For the first period it was calculated that in the Shenzhen market approximately HK\$300 million were circulating while in the books there were still more. In this situation, we only crack down on illegal currency exchanges, such as black market currency deals at the train station.

Xu: In parts of Guangdong and Fujian which are the hometowns of overseas Chinese, some ordinary people specially "convert privately" RMB into Hong Kong dollars and hide them in trunks, thinking that they will keep their value. This is also black marketing.

Zou: We have previously analyzed cases of black marketing foreign currency; 65 percent of them involved people coming from the interior to Shenzhen to buy Hong Kong dollars at high prices and 30 percent involved people from Hong Kong coming to Shenzhen to get their hands on RMB and buy medicine and special local products, which they sold at a profit back in Hong Kong. This means that less than 5 percent of the criminals were actual residents of Shenzhen engaging in illegal sales activities. People talk about how bad all the profiteering in Shenzhen is, but it really is not done by Shenzhen people. Of course, for quite a long period of time, there have been problems of lax management of industrial and commercial administration and ineffectual crackdowns; this fault is already being corrected.

Xu: Aside from the illegal activities already mentioned, Shenzhen also has the problem of state-run units buying and selling things for a negotiated price in foreign exchange.

Zou: The city is now establishing a "Foreign Exchange Regulation Center" which will centrally manage such matters. To sum it up, currency is a complicated problem.

"Providing a Way Out" To Resolve the Currency Problem

Wang: Taiwan gives us a solution. When people enter Shenzhen, they change their money into RMB; foreign currency cannot circulate. When they leave the country, leftover RMB is converted back into foreign currency. Wouldn't that work?

Xu: Hong Kong and Macao compatriots and overseas Chinese have many relatives on the mainland. If someone brings 10,000 yuan into the country, he might spend it all in a month and then leave the country. But his relatives and friends within China might, as is common, collect, 8,000 yuan which he would convert into foreign exchange at the border and take away with him. On paper he has used 2,000 yuan; on the surface it is "legal."

Zou: This is called "arbitrage" it is easy to do but it won't work. (Xu: Black marketing can only be stopped if the official foreign exchange list price does not differ too much from the black market price.) The problem in Shenzhen which most urgently needs a solution is the free entrance and exit of foreign funds after they have been brought in. The original idea was to replace other currencies with convertible "SEZ currency," which could be freely exchanged for foreign currency, American dollars, British pounds, Hong Kong dollars, but not for RMB (Xu: So you still intend to issue "SEZ currency"). In other words, the special policy which "focuses on bringing in foreign funds" requires special financial foreign exchange policies adapted to it. When the former is "special" but the latter is not "special," we cannot do the job right. We are not merely keeping our eye on the market question of those 200 to 300 million; the big question is how best to bring in large amounts of foreign funds, which affects how we can realize the general policies for running SEZ's.

We have already made the currency problem clear to the Central Committee. If we cannot issue "SEZ currency," another good method is fine. We cannot always be debating side issues such as "many currencies cause much trouble"; people are always criticizing the currency mess but they don't come up with feasible solutions. Somehow we have to come up with a solution.

Issuing a kind of currency is always a process. We imagine that in the first stages of issuing "SEZ currency," the central bank can make the effort to support it for a period of time; with economic growth in Shenzhen, it can later gradually let go.

Are the Many "Windows" in Shenzhen Good or Bad

Xu: Recently everyone had been coming to Shenzhen to set up "windows"; is this another factor leading to the confusion?

Zou: In general, it has worked out fairly well for the first rank of administrative in the central government such as the ministries and the first rank of administrative units in the provinces and cities to come set up "windows" in Shenzhen. For example, ministry-run units, such as the Industrial Trade Center, Aihua, and Huaqiang, have played a good role in bringing technology and funds into Shenzhen. The great majority of cases of legal offenses and profiteering have been in units below the prefectural level, especially below the county and commune level, and have been due to lax management. The situation has gotten better during this period of rectification, and after foreign exchange is in balance, it will gradually get on the right track. (Xu: The crux of the matter is still that there are too many "windows.") That is why there is the rectification.

Xu: Too many "windows" creates a serious problem of smuggled goods.

Zou: In fact, the problem of smuggled goods cannot be considered Shenzhen's problem.

Xu: But it is precisely by way of Shenzhen that many smuggled goods flow into Hong Kong and overseas. To give a small example, for the "Dadi" brand shirt sold in Chinese products outlets in Hong Kong, the cost is more than HK\$20 and it retails for more than HK\$30. On the Shenzhen market it is sold for 7 yuan. When Hong Kong people come to Shenzhen, by changing HK\$10 for RMB on the black market, they can buy a "Dadi" brand shirt exactly like that sold in the Hong Kong Chinese product outlets. This means that if Hong Kong people coming to Shenzhen bring back just two "Dadi" brand shirts to Hong Kong, they will have earned the cost of their roundtrip train fare. This is just small-scale personal selling. The serious problem is the "windows" of state-run units crossing the border ever so properly and then attacking the Hong Kong Chinese products market with "smuggled goods."

Zou: The Kowloon customs is directly affiliated with the General Customs Office; the city of Shenzhen has no control. In addition there are the sea routes, which also are not controlled by Shenzhen. In the past there was no permit system for exporting, and no quota system. Now that the question has been raised, a permit system has been established and customs is starting to control things.

Xu: Originally Shenzhen had more than 10,000 people from Hong Kong, Macao and the interior coming in daily. Has this been greatly reduced now?

Zou: This figure refers to festivals and holidays, usually there aren't so many, so now the market is a little depressed. (Xu: Can this kind of depression be considered healthy?) We feel this shouldn't have happened in the first place; the changes in attitude and policy toward the SEZ in the recent period have had an effect. The wait-and-see attitude adopted by many foreign and Hong Kong businessmen toward investing in Shenzhen is a problem. (Xu: Is the decline in the number of people coming in from the interior carrying big bundles of RMB a specific reflection of the causes of depression?) Of course, the less of this the better.

Is the "Second Boundary at Shenzhen" in Effect?

Xu: If the second boundary as originally conceived is put into effect, will Shenzhen become even more depressed?

Zou: ; There is a conflict here. As originally conceived, "two boundaries" would divide the SEZ from the non-SEZ, in order to make the SEZ even more open. Within the first boundary, except for tobacco and liquor, everything would be duty-free, the same as in Hong Kong, and except for drugs, weapons, and pornographic magazines, the border-crossing procedures would be simplified, facilitating people going back and forth. But due to the lagging inability to resolve the currency problem, it has been set aside. We estimate that next year we should be able to gradually implement it; this is being considered as a part of developing overall policies for SEZ's.

Xu: It seems that some areas in the development of Shenzhen over the past few years are the opposite of what was originally envisioned, and that it is necessary to start all over from scratch.

Zou: At the outset we too were unclear about this concept of "SEZ," and only later did we clarify it as something "focusing on bringing in foreign funds, establishing joint ventures and foreign-owned enterprises, selling products overseas, and market regulation." This distinguishes between SEZ's and the interior. At the same time SEZ's serve as four "windows": knowledge, technology, management, and policies toward the outside world. When Premier Zhao came to visit we added the "two radiations," namely, products going out and funds and technology coming in. The role of "four windows and two radiations" is intended to serve the entire four modernizations.

Xu: Could we sum it up as earning foreign exchange: not much outside foreign exchange has been earned, but a lot of China's foreign exchange has flowed out via the "windows." (Zou: We really haven't used much of the state's foreign exchange.)

Zou: Currently all foreign investment enterprises focus on exporting, and do not need any foreign exchange subsidies from the government; every year they hand over foreign exchange to the Shenzhen government.

We don't agree with the idea of changing Shenzhen's form. Before Shenzhen (Bao'an County) became an SEZ, the annual output value from industry and agriculture was only 70 million yuan; the economy was sealed-in and unquestionably was directed inward. In 1980 the SEZ was formed and it started to develop towards the outside. Now, every year \$80 million worth of just agricultural products and byproducts are exported. Although there is a gap between the 40 percent of industrial products sold overseas and the goal of 70 to 80 percent, since we practically started from zero and have gone step by step in opening up to the outside, it isn't a problem of changing the form.

As for the matter of earning money, this is commercial trade of mutual benefit; since Shenzhen is a part of the interior, this kind of commodity exchange relationship will continue in the future, and it is very difficult to say that one side earns money while the other side loses out.

In the past few years, Shenzhen, acting on its own and with the assistance of the interior, has put a few big buildings, shopping malls and cultural facilities, with the goal of creating a good environment for investment and attract foreign funds. So it isn't simply developing methods for city construction and making the city prosperous.

What Advantages Does Shenzhen Itself Offer?

Zou: Shenzhen still has a "geographical advantage" which the interior can't duplicate: it is very close to Hong Kong and has the advantage in developing the market in fresh goods, such as milk, vegetables, egg products, pork, beef, mutton, live chickens, flowers and plants, etc. The state has called on us to develop this; after being produced in Shenzhen, the goods are very fresh when shipped to Hong Kong and can earn money. Is it economical to transport pigs from Hunan to Hong Kong, or cows and sheep from Nei Monggol? The foreign exchange earned by the interior doing this is relatively low.

Some time ago Hong Kong reacted against the increase in vegetables and fish from Shenzhen. This is mainly because there needs to be reform and adjustment in the assignment of quotas by the Ministry of Foreign Economic Relations and Trade. For example, Shenzhen makes money on raising chickens; before the SEZ was set up, in 1 year it would export 30,000 chickens; now (1985) in 1 year it can produce 10 million chickens but its 1985 quota is 7 million. If chickens are shipped from Heilongjiang to Hong Kong, it doesn't pay. Of course, the original exporting provinces whose foreign exchange incomes are affected by the reduction in exports can receive certain compensation in foreign exchange from Shenzhen by going through the economic and trade system. This way everyone benefits. At present, when we aren't able to make full use of our advantages, the result is that I squeeze you out and you squeeze me out--nobody benefits.

Xu: This is where the problem lies.

Zou: With the big program on Hainan Island, what about Shenzhen? We feel that the biggest difference between Shenzhen and Hainan Island is in the attitude of the governments. The Hainan Island government made a big mistake when it decided to deal in car sales; lower levels imitated their superiors, and it developed beyond the point of no return. The Shenzhen local government has consistently opposed profiteering activities, and every year we have to handle a few such cases. But dealing with these cases doesn't mean that we've put a stop to illicit buying and selling; profiteering is a complex social phenomenon, connected with the commodity-oriented society; it won't go away just because you oppose it. Therefore, for a long time we won't be able to loosen control; we will regularly have to crackdown and deal with it.

Xu: It seems that since rectification and restructuring, the development of Shenzhen is basically sound; we can make this conclusion.

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SPECIAL ECONOMIC ZONES

DIRECTION FOR SHENZHEN SEZ DISCUSSED

Hong Kong CHING PAO [THE MIRROR] in Chinese 'o 1, 10 Jan 86 p 87

[Article by A Gui [7093 2710]: "Which Direction for Shenzhen SEZ?"]

[Text] Shenzhen SEZ is just a speck of land located between Hong Kong and China's interior. The easiest way for it to earn money is to develop as a transfer point for trade and use price differences between domestic and foreign markets. But because to its south is the commercially highly developed Hong Kong and to its north is a protected market, the Shenzhen SEZ economy cannot survive by concentrating on commerce; it can only focus on material production. Furthermore, Shenzhen SEZ only has 327.5 square km and no special natural resources, so there is not much growth potential in primary production (with the exception of fishing). It appears that the only course for economic development in Shenzhen SEZ is growth in and concentration on industry.

However, all Shenzhen SEZ has to offer is cheap land and labor and low tax rates, and the incomplete infrastructure, poorly qualified labor force, difficulty in cooperation among different trades, imperfect law, and low administrative efficiency have all greatly diminished what it has to offer. Bringing in advanced technology involves Shenzhen SEZ's ability to digest and absorb the technology as well as the question of economic results (under certain conditions, advanced technology is not necessarily able to achieve better economic results); more important advanced countries and regions, in order to maintain their own monopoly on technology, cannot export technology without any reservations; we must directly recognize this reality.

We can see that Shenzhen does not really have many options in choosing its path of economic development. What should it develop? How to develop? It is clear for all to see. Policy is forever making its mark on the growth of Shenzhen SEZ, which is indeed the product of policy. But this is really not the same as saying that it is possible to completely rely on subjective will to create a model for economic development; policies in accord with economic laws will greatly promote economic development, and conversely, policies which ignore economic laws will be barriers to economic development or will even lead economic development astray.

The internal and external objective conditions of Shenzhen SEZ show that one-sided emphasis on development of high-level science and technology is not at all the most ideal path. In terms of the stages inherent in economic development, Shenzhen SEZ, at least in the next 10 years, should not make capital- and technology-intensive industry the focus of development but should strive to attract intermediate technology.

Of course, attracting intermediate technology does not rule out introducing things from developed countries and regions, but more important yet is the exploitation of China's technical potential in every field. In the several decades of development since the war, China's technology has already reached a considerable level, and in many areas we rank among the first in the world. There is no harm in our considering primary use of Chinese technology, with the addition of Western science and management and the Hong Kong people's business flexibility, as the special characteristic of enterprises in Shenzhen SEZ. Compared to the total adoption of Western practices or Hong Kong method, this may better help enterprises in Shenzhen SEZ to survive and develop in the fiercely competitive environment of the international market.

Of course, in the long run, only high-level science and technology and technology-intensive enterprises can represent the future of Shenzhen SEZ; the period of transition from being labor-intensive to technology intensive requires a gradually changing process. Therefore, from now on, when possible we should actively consider bringing in some advanced technology; we should not rely on just one method.

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SPECIAL ECONOMIC ZONES

SHENZHEN SURVEY SHOWS ECONOMIC PROGRESS

HK190900 Hong Kong SOUTH CHINA MORNING POST in English 19 May 86 p 9

[Article by Albert Chan, Ophelia Suen, and Julina Chan]

[Text] People in the Shenzhen special economic zone are seeking out Western-style brands and costly electrical appliances.

Fast food, fashionable clothing and costly household appliances have also become common in the pioneer economic zone.

According to a survey conducted by the JOURNAL OF TECHNOLOGY INTRODUCTION, a bimonthly magazine published in Shenzhen, most households now have up-to-date appliances such as colour television sets, refrigerators, washing machines, radio cassette recorders and hi-fis. Electric fans are also popular.

The survey was conducted with a sample of 100 households last year and the results were published in the last issue of the magazine.

The survey found that Shenzhen residents have switched their diet from staple foods to high nutrient, low fat, high protein food.

Other major survey finds were:

Average number of members per household: 4.07.

Average number of members working per household: 2.28.

Average monthly income per household member: 161.26 yuan (about HK\$403.15).

Proportion of income derived from salary: 86.9 percent.

Proportion of income derived from bonuses: 17.2 percent [figures as published]

Average monthly consumption per household member on food: 70.88 yuan (about HK\$177.20).

Proportion of staple food in total food consumption: 11.4 percent.

Proportion of other food in total food consumption: 80.8 percent.

Tobacco, alcohol and tea in total food consumption: 7.8 percent.

Number of colour TV sets per 100 households: 80.

Number of black-and-white TV sets per 100 households: 26.

Number of refrigerators per 100 households: 69.

Number of washing machines per 100 households: 69.

Number of radio cassette recorders per 100 households: 72.

Number of electric fans per 100 households: 213.

Number of bicycles per 100 households: 168.

Number of watches per 100 households: 289.

Number of cameras per 100 households: 25.

Monthly expenditure per household member on clothing: 12.27 yuan (about HK\$30.68).

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SPECIAL ECONOMIC ZONES

REPORT EXAMINES PREPARATIONS FOR SHENZHEN AIRPORT

HK040344 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
4 Jun 86 p 1

[Article by Olivia Sin]

[Text] Shenzhen has begun preparations for the construction of a long-awaited airport even though the project has not yet been formally approved, according to the city's vice-mayor, Mr Zhou Xiwu.

Speaking after yesterday's ceremony to mark the official release of the feasibility study on the airport, Mr Zhou said a company, Shenzhen Airport Corp. will be set up in the special economic zone soon to draw up detailed plans for the airport.

The preparatory work began after Shenzhen's Mayor Li Hao visited Beijing last month to lobby state planners' support for the airport project.

Mr Zhou said Mr Li reported to various departments under the State Council on the feasibility of building an airport in the special economic zone and "pushed" for its realisation.

"The message brought back by Mr Li is that leading officials from the various organisations under the State Council have agreed that Shenzhen can start preparatory work on the airport even though the project is not yet formally approved," said Mr Zhou.

He could not say when the green light for the project will be given. "I hope it will come as soon as possible."

Before Mr Li was appointed mayor of Shenzhen last year, he was deputy secretary-general of the State Council and is said to have "friends" in various key departments under the council.

But observers yesterday cautioned the preparatory work may prove futile if the project failed to get Beijing's blessing.

Mr Zhou, who heads the Shenzhen International Airport Feasibility Research Unit, said the preparatory work includes land acquisition and airport design.

The latter is being done by officials from the Civil Aviation Administration of China (CAAC).

The airport, if approved, will be built in western Shenzhen in the area known as Huangtian, about 30 km from the city centre.

The SOUTH CHINA MORNING POST had earlier reported that senior Shenzhen officials went to Beijing last month to lobby for financial support from central leaders.

Although Beijing has verbally approved the airport proposal, the project is yet to be included in China's Seventh 5-Year Plan (1986-90).

According to the study report, the official nod is necessary to obtain state funds, which will account for half of the total expenditure, estimated at 1.47 billion yuan (HK\$3.67 billion), for building the airport in three stages.

The study said the granting of state funds will help lower the construction costs by eliminating the need to shoulder heavy interest payments.

According to the study, the ideal financing method would be for the government to provide half of the 1.47 billion yuan, with the remainder raised by loans in both yuan and foreign currency.

Breaking down the financial requirement for the project, the study said the airport may require about 200 million yuan worth of foreign exchange and 150 million yuan in state subsidy by 1990.

The requirement for funds will rise to 525 million yuan in state subsidy and 225 million yuan in foreign exchange by the year 2000.

The study said the developers can raise foreign exchange by floating a bond or raising loans and/or forming joint ventures.

Mr Zhou said initially, approval is being sought to build the first phase, which will cost 200 million yuan.

Depending on future needs, the special economic zone will pally for permission to build the other two stages.

The study, including detailed financial and technical evaluations of the project's three stages, was completed in February and presented to the State Council.

According to the study, the first stage will see the construction of a single 2,800 m long and 60 m wide runway to accommodate Boeing 737, MD-82 and Trident planes.

On completion of the first stage, the airport will be able to handle 1.2 million passengers a year and 50,000 tons of cargo.

The first phase can be completed in three years. If work began in the last quarter of this year, it could be completed by 1989, said Mr Zhou.

The study said expenditure on the first stage construction will be partly in yuan and partly in foreign exchange.

It admitted that there will be a shortfall in foreign exchange after the first stage opens since most of the revenue will be in yuan, generated by domestic flights.

But more foreign exchange earnings will be generated when the airport is upgraded to international status after the completion of the other two stages and begins serving foreign airlines.

Second stage construction will see the runway extended to 3,400 m to accommodate bigger planes like Boeing 747s and the airport's handling capacity increased to five million passengers and 200,000 tons of cargo a year.

A second 3,400 m long runway will be built in the third stage to facilitate higher passenger and cargo flow.

The US\$800,000 study was financed by a grant from the U.S. Government's Trade and Development Programme.

It was jointly conducted by two U.S. firms, Lockheed Air Terminal and Parsons International, Hong Kong-based China Everbest Development Corp. and the Airport Consulting Engineers under the CAAC.

Lockheed's manager for international airport operations, Mr Robert White said the study has highlighted the feasibility of building the airport by suggesting it will bring economic benefits to the special economic zone and the whole of southern China.

"China needs a major air transportation gateway in southern provinces," Mr White said at the ceremony.

He said caution is needed in the actual implementation of the project.

"The feasibility study emphasises proper coordination in planning and implementing a cost-effective airport development programme," he said.

"Unless all the elements regarding design, construction, financing...are coordinated properly, the results of the feasibility study will become invalid."

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SPECIAL ECONOMIC ZONES

BRIEFS

NEW LAWS FOR FOREIGN FINANCE COMPANIES--Hong Kong, Jun 5 (AFP)--China is considering passing new laws to govern the activities of foreign finance firms in the country's special economic zones, a Chinese banking official said. Luo Xianrong, general manager of the Shenzhen branch of the People's Bank of China, told reporters in Shenzhen Wednesday that new laws are being considered following a request by a five-party joint venture finance company for a merchant banking license. The Shenzhen branch of the Bank of China, China's central bank, and four foreign firms--U.S.-based Security Pacific Corp., Hong Kong-based Bank of East Asia and Sumitomo Bank and Nomura Securities Co. of Japan--are all partners in the proposed joint venture. Mr Luo said existing legislation regulating the activities of foreign banks and joint venture banks did not cover finance companies. He said the proposed finance company would be governed by existing law on foreign bank branches until new laws are passed. A Nomura Securities Co. spokesman here told AGENCE FRANCE-PRESSE that the company was still studying whether the proposal was feasible. [Text] [Hong Kong AFP in English 0707 GMT 5 Jun 86 HK] /6662

CSO: 4020/355

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

PAPER ASSESSES CHANGES IN WEST'S LABOR MOVEMENT

HK310840 Beijing GUANGMING RIBAO in Chinese 19 May 86 p 3

[Article by Mei Dai [2734 1486], An Miao [2174 5379], and Ma Zifu [7456 1311 1381]: "The New Technological Revolution and the Labor Movement in the West" --passages within slantines published in boldface]

[Text] This year marks the 100th anniversary of the "1 May" International Labor Day--the festival of all proletarians throughout the world. On this occasion, it is definitely necessary to examine carefully, the new features embodied in the development of the international labor movement in light of the new development trends of the world. The new technological revolution is one of the new trends which have emerged in the world today. Having profound influence on the labor movement in developed capitalist countries, it has presented many major theoretical and practical issues. Here we would like to briefly analyze some of these issues.

/First, the structure of the proletariat has changed, obviously, but the class has never "vanished."/ In Western capitalist countries, economic development and the extensive application of new scientific and technological achievements to the production sectors have given rise to changes in the industrial structure and, consequently, changes in the structure of the proletariat. Workers in traditional industries have decreased while those in new industries increased; workers in primary and secondary industries have decreased while those in tertiary industry increased; and blue-collar workers have generally decreased while white-collar workers have increased rapidly--they now make up more than half the total number of workers in some countries. Some people hold that white-collar workers who mainly engage in mental work cannot be counted as a part of the working class; and that neither administrative personnel who are governing and supervising the workers nor scientific and technological personnel who do not directly engage in material production which creates surplus value can be regarded as members of the working class either. Therefore, the decrease in the number of blue-collar workers means that the ranks of workers are shrinking and the working class is "vanishing." This is not a scientific viewpoint. In the wake of the increasing weight of the intellectual factor in production and the further socialization of the production process, the definition of productive workers inevitably has to be expanded--in other words, white-collar workers engaging in

technical work, administration, and service trades also fall in the category of the working class. This is because they in general do not own any production means but earn a living by selling their labor. They take part in the creation of surplus value as other workers do and are also exploited by capitalists, thus they should of course be classified as the "mental labor proletariat." For the above reason, the decrease in the number of blue-collar workers and the increase in the number of white-collar workers do not mean the working class is shrinking and "vanishing" but rather indicate that the class is growing and the intellectual standard of the whole working class is being enhanced--great progress in the process of the working class' self-improvement. A parallel case is that the workers' class status remained unchanged when the emergence of the era of large-scale mechanized industries meant substantial progress in terms of both the form of labor and the quality of the working class as compared with the era of workshop handicraft industries.

/Second, although the livelihood of the workers has been improved, the proletariat has not "merged" into capitalism./ In the face of strong pressure from the labor movement, the monopoly capitalist class changed its traditional labor policy featuring starvation and forced labor and began to implement the so-called "social welfare policy" after the War, with a view to temporarily mitigating the contradictions between classes. So, on the surface, the workers' wages were raised, social security and social welfare were improved, and working hours were shortened; in the meantime, the workers' involvement in part of the enterprise's administration has become a rather common practice, and so on. This is a new feature of the labor-capital relations in contemporary capitalist countries. Therefore, some bourgeois thinkers believe that "the proletariat has merged into capitalism," the class "has been bourgeoisified," and the workers and capitalists no longer have conflicts of class interests between them but have become partners on an equal footing. Such a viewpoint is just untenable. In fact, neither the changes resulting from the new technological revolution nor the changes in the monopoly capitalist class/ labor policy has managed to, or could possibly iron out the ultimate confrontation between the proletariat and the bourgeoisie. Although the workers' livelihood has been improved, their real income growth rate is much lower than that of labor productivity and surplus value. The workers have to face the severe challenge of high inflation rate, high tax rate, high unemployment, and high incidence of "occupational diseases as by products of modern industrial civilization" that follow the pay raise. To be sure, the workers' partial involvement in the enterprise's management and administration is a result of the long-term struggle of the labor movement, but it also reflects an objective demand arising from modern socialized production, indicating that the bourgeoisie has been forced to pay more attention to man's initiative in the production process because the role of the intellectual factor and the position of the workers as the main production force have been upgraded. Besides, the scope of involvement in administration and decisionmaking and the relevant power are limited, and the final decision-making power is still kept in the hands of monopoly consortiums. Trade unions should make good use of the workers' opportunities of partial involvement in management to force capitalists to make more concessions, fight for more rights and interests for the workers, and thus enhance their ideological understanding and management skill.

/Third, the labor movement is now facing a tough situation in Western capitalist countries, but a new high tide is bound to arrive./ Due to the influence of the new technological revolution, the development of capitalism in a peaceful environment after the War, and the partial changes in the bourgeoisie's labor policy, the labor movement in the West has encountered some new circumstances and new issues and is facing a tough situation. For example, the membership of trade unions in some countries has dropped, the proportion of organized workers has decreased, strikes and struggle have been weakened, more doubts about Marxism have surfaced, and so on. Some people even interpret the current low tide as the liquidation of the labor movement. In distorting the nature and the social effects of the new technological revolution, they assert that the new technological revolution will present a new way out for capitalism. This is a theory which suggests that technology decides everything. Marxists have always attached great importance to the role of science and technology and believe that they are giant levers to propel the society forward. But they categorically disagree with the theory that technology decides everything. To be sure, the new technological revolution will expedite the growth of the productive forces and, as a natural result, give rise to great changes in social life. However, it will by no means eventually solve the intrinsic contradiction of the capitalist system, namely, the contradiction between the socialization of production and the private ownership of production means, but rather aggravate it and thus make the changes in the relations of production and in the superstructure inevitable. It will be an unrealistic illusion if one thinks that there is no need to wage the proletarian revolutionary struggle whether in violent or non-violent form and that the new technological revolution will naturally eliminate the shortcomings of capitalism or will merge capitalism and socialism into a single whole. Since the invention of the steam mill in the past did not naturally bring forth a capitalist society from within the feudal society, the growth in the productive forces today can only lead to changes in the production relations rather than substitute for these changes.

In order to push the international labor movement ahead, we badly need to display originality in applying the basic principles of Marxism, and to thoroughly study and interpret in a scientific way the new phenomena and special characteristics of the development of capitalism as well as the social effects of the new technological revolution, in light of the current specific circumstances in various countries. In such a way Marxism will be strongly attractive and convincing to the vast number of workers and will show its great vitality. Today, the communist parties and workers' parties in developed capitalist countries are searching for the road to revolution that will fit their own countries' conditions. More and more labor movement organizers have changed their traditional forms of struggle and their old work style in accordance with the changes in the bourgeoisie's labor policy; and, to cope with the changed situation, they have also introduced new forms and strategies of struggle and adopted new work style. They are bound to overcome the temporary difficulties that they are currently facing, gain more new experience, and win major new victories. After all, the low tide of the labor movement in these countries will pass and a new high tide will follow. Any wavering and pessimistic thinking is completely groundless.

[This article was sent in by readers in response to solicitations for articles on the study of the basic principles of Marxism.]

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HONG KONG

GOVERNOR YOUDE VIEWS TRADE GAP WITH JAPAN

OW271648 Beijing XINHUA in English 1500 GMT 27 May 86

[Text] Hong Kong, May 27 (XINHUA)--Hong Kong Governor Edward Youde conveyed on Monday to Japan the "deep concern" over the great difficulty of obtaining entry for Hong Kong products into the Japanese market.

Addressing the ninth joint session of the Hong Kong-Japan and Japan-Hong Kong business co-operation committees in Tokyo, the governor said that the value of the bilateral trade had increased by 67 percent in the past five years to over 8.1 billion U.S. dollars in 1985. But the trade gap had widened from the ratio of 10 to one in 1983 to 12 to one in 1985.

Earlier yesterday, Hong Kong Committee Chairman S.Y. Chung disclosed that Hong Kong was the fifth largest market for the Japanese products and had the third largest trade deficit with Japan after the U.S. and the Chinese mainland in 1985.

Youde said that Hong Kong could now act as a base for off-shore manufacturing operations involving higher technology rather than simply as a base for assembly work.

He urged Japanese manufacturers to invest in the metals, light engineering and plastics industries which has good export prospects as well as in the electronic firms which enjoyed a ready local clientele.

Referring to measures for alleviating the severe trade imbalance, Youde said that Japan could speed up the establishment of off-shore manufacturing processes in Hong Kong.

Sales of these products back to Japan should help narrow the trade gap while it would be profitable for the Japanese investors and consumers.

He also suggested Japan lower tariff rates for items of interest to Hong Kong.

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CSO: 4020/358

HONG KONG

TALKS CONCLUDED WITH PRC ON SHIPPING REGISTER

HK200541 Hong Kong SOUTH CHINA MORNING POST in English 20 Jun 86 p 2

[Report from Beijing by Chris Yeung]

[Text] An autonomous shipping register to be set up in Hong Kong before 1997 should be able to continue operating smoothly after China resumes sovereignty of the territory.

This is a consensus view of the British and Chinese experts under the Sino-British Joint Liaison Group (JLG) during discussions on the register which ended in Beijing yesterday.

Both sides will soon report to leaders of the JLG, which will discuss the matter further in its fourth round of talks in London next month.

It is understood that Britain has compiled a proposal for such a setup and raised it during the two-day talks.

A British team member, Hong Kong Director of Marine Y. Y. Chan, said: "We have made good progress and there has been better understanding on the issue."

He said there were still technical problems unresolved, but he was optimistic that the outstanding issues could be ironed out soon.

The Sino-British Joint Declaration states that the Hong Kong Special Administrative Region shall be authorised by China to maintain a shipping register. Certificates should be issued under its own legislation in the name of Hong Kong, China.

An autonomous register will secure a greater representation of Hong Kong in international shipping affairs.

Mr Chan said: "We have agreed in principle that the shipping register should begin operation before 1997 and beyond."

British team leader, Mr C. A. Higginson, deputy secretary for economic services of the Hong Kong Government, will return to the territory this morning.

At the same time, nationality experts from both sides will begin talks today on the format of a new identity card and related issues.

The British side, which arrived in Beijing yesterday, will brief the Chinese authorities on proposed amendments to Hong Kong's Immigration Ordinance and Registration of Persons Ordinance, which aim to give legal power to the term "right of abode."

The term is to be printed on new identities to be issued in Hong Kong from the middle of next year.

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